SHUI ON LAND LIMITED

ANNUAL REPORT 2016

Stock Code 272

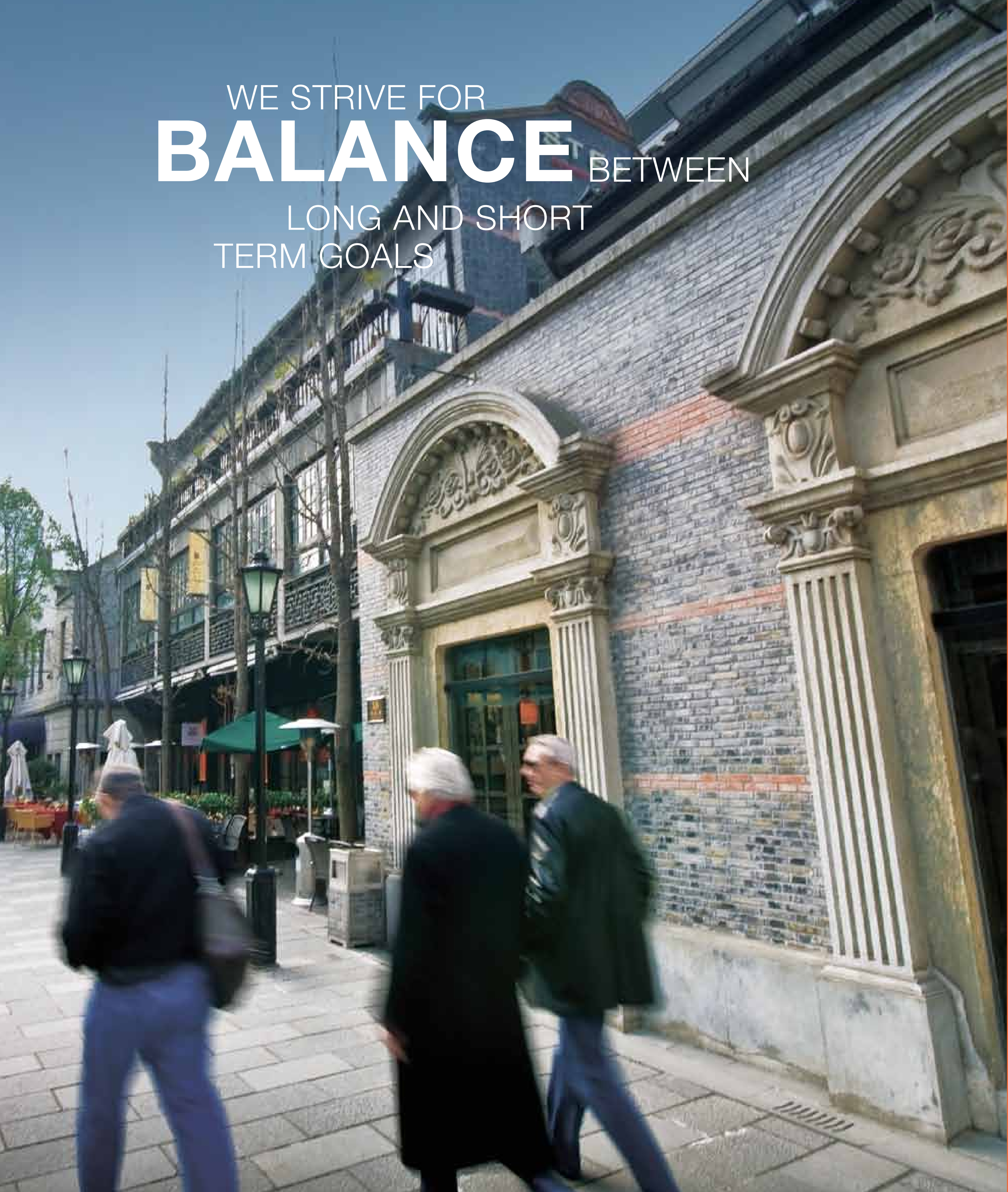
瑞安房地產
SHUI ON LAND

STRENGTH

Our asset-light strategy gives us the strength to weather the considerable global economic and political uncertainty that characterises the market. The asset-light strategy generates an increased asset turnover rate and a robust income stream and cash flow. We have reduced our debt gearing and bolstered our balance sheet, putting us in a strong position to capitalise on new opportunities in the coming year.

BALANCE

WE STRIVE FOR BALANCE BETWEEN LONG AND SHORT TERM GOALS



The Group continues to strike a good balance between our long and short term goals as well as between profits generated by our record property sales and the recurring income from our solid rental portfolio. We are balancing our asset-light strategy with plans for future capital investments.

OUR FINANCIAL
PERFORMANCE
TO BE DRIVEN BY STRONG AND
EFFICIENT MANAGEMENT

We aim to continuously enhance our performance in management efficiency and decision-making, which will result in better financial return and increased profitability. Being proactive and taking firm action is particularly important in these times of uncertainty.

INNOVATIVE PROPERTY
DEVELOPER IN CHINA

Established in 2004 and listed on The Stock Exchange of Hong Kong (Stock Code: 272) in October 2006, Shui On Land Limited is the Shui On Group's flagship property development company in the Chinese Mainland. Headquartered in Shanghai, Shui On Land has established a solid foundation in the Chinese Mainland and has a proven track record in developing mixed-use, sustainable communities.

Shui On Land develops and operates high-quality residential, office, retail, entertainment and cultural properties in the Chinese Mainland. Shui On Land applies its hallmark approach of master-planning to all projects to ensure that developments are fully consistent with government objectives in economic development and urban planning while simultaneously incorporating local historical and cultural characteristics into our designs and planning. Manifesting the "Total Community" concept, our projects provide a unique environment enabling life enrichment of "Live-Work-Play".

Shui On Land's landbank stood at 10.8 million sq.m. (8.6 million sq.m. of leasable and saleable GFA, and 2.2 million sq.m. of clubhouses, car parking spaces and other facilities). Its eight projects, in various stages of development, are all situated in prime locations within the key cities of Shanghai, Chongqing, Wuhan, Dalian and Foshan.


Rinascita


HALL OF THE
STARS
星星堂

OUR COMMITMENT TO

INVESTORS
We are committed to providing attractive and sustainable returns for our investors based on a well-planned, long-term growth trajectory and strategic direction.

CUSTOMERS
The expectations of our customers are always at the forefront of our thinking and planning, enabling us to provide high quality and add value to all our projects.

COMMUNITY
We continually look for innovative ways to build and contribute to the community.

ENVIRONMENT
As an experienced and socially responsible property developer, Shui On Land considers respect for the environment to be a key ingredient for the long-term development of the communities in which we are involved.

EMPLOYEES
Shui On Land believes that care for our employees and for the development of their talents is crucial to the long-term success of the Group.

WE SUSTAIN OUR VISION BY INTEGRATING QUALITY INTO ALL OF OUR OPERATIONS AND ASPIRING TO WORLD-CLASS STANDARDS OF EXCELLENCE IN MANAGEMENT, PLANNING, EXECUTION AND CORPORATE GOVERNANCE.

CONTENTS

FINANCIAL HIGHLIGHTS

OPERATING RESULTS for the Year Ended 31 December

	2016 HKD'million	2015 HKD'million	2016 RMB'million	2015 RMB'million
Turnover	**20,539**	8,038	**17,600**	6,472
Represented by:				
Property development	**18,210**	5,440	**15,604**	4,380
Property investment	**2,002**	2,002	**1,716**	1,612
Construction	**259**	527	**222**	424
Others	**68**	69	**58**	56
Gross profit	**6,891**	2,098	**5,905**	1,689
Increase in fair value of the remaining investment properties	**1,372**	3,689	**1,176**	2,970
Profit attributable to shareholders	**1,270**	979	**1,088**	788
Core earnings of the Group	**2,098**	3,009	**1,798**	2,423
Basic earnings per share	**HKD0.16**	HKD0.12	**RMB0.14**	RMB0.10
Dividend per share				
Interim paid	**HKD0.011**	HKD0.022	**HKD0.011**	HKD0.022
Proposed final	**HKD0.039**	HKD0.028	**HKD0.039**	HKD0.028
Full year	**HKD0.05**	HKD0.05	**HKD0.05**	HKD0.05

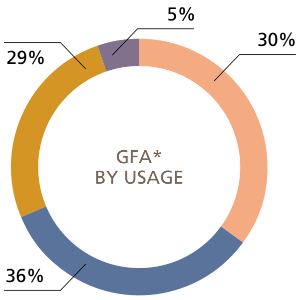
Note:
Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.167 for 2016 and RMB1.000 to HK$1.242 for 2015 being the average exchange rates that prevailed during the respective years.

FINANCIAL POSITION as of 31 December

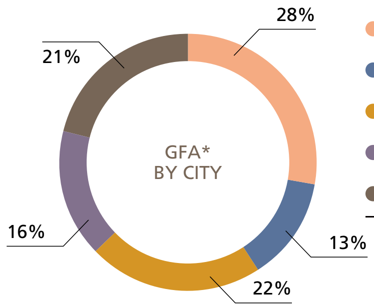
	2016 RMB'million	2015 RMB'million
Total bank balances and cash	**15,567**	10,614
Total assets	**122,213**	117,170
Total equity	**46,256**	46,118
Total debt	**47,123**	47,992
Bank and other borrowings	**29,811**	33,337
Senior notes	**17,312**	14,655
Net gearing ratio*	**68%**	81%

* Calculated on the basis of the excess of the sum of bank and other borrowings and senior notes over the sum of bank balances and cash by total equity.

LANDBANK as of 31 December 2016



	million sq.m.
Residential	2.5
Office	3.2
Retail	2.4
Hotel/ Serviced Apartments	0.5
Total leasable and saleable GFA	8.6
Attributable GFA	6.5

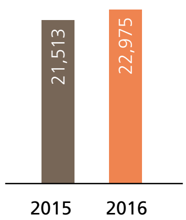


	million sq.m.
Shanghai	2.3
Wuhan	1.0
Chongqing	1.5
Foshan	1.0
Dalian	2.8
Total leasable and saleable GFA	8.6
Attributable GFA	6.5

* Percentages are calculated based on attributable GFA

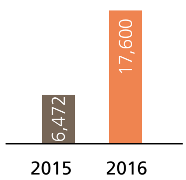
CONTRACTED PROPERTY SALES & OTHER ASSETS DISPOSAL

(RMB'million)



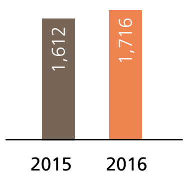
TURNOVER

(RMB'million)



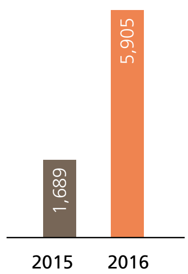
RENTAL AND RELATED INCOME

(RMB'million)



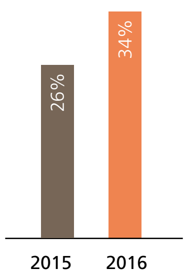
GROSS PROFIT

(RMB'million)



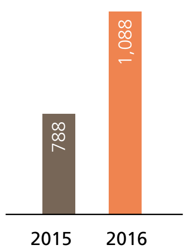
GROSS PROFIT MARGIN

(%)



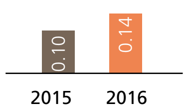
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB'million)



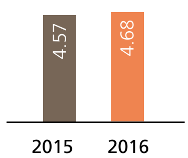
BASIC EARNINGS PER SHARE

(RMB/share)



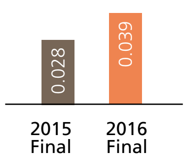
SHAREHOLDERS' EQUITY PER SHARE

(RMB/share)



DIVIDEND PER SHARE

(HKD/share)

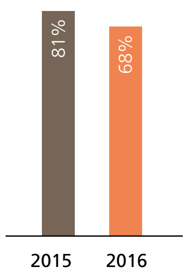


TOTAL ASSETS

(RMB'million)

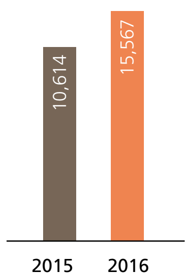
NET GEARING RATIO

(%)



TOTAL BANK BALANCES AND CASH

(RMB'million)



ACHIEVEMENT HIGHLIGHTS

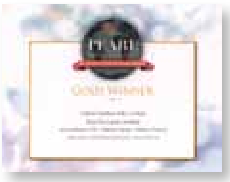
THE GROUP RECEIVED MULTIPLE PROFESSIONAL CERTIFICATIONS FROM THE U.S. GREEN BUILDING COUNCIL AND MINISTRY OF HOUSING AND URBAN-RURAL DEVELOPMENT OF THE PEOPLE'S REPUBLIC OF CHINA, INCLUDING:

LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED)

- Three office buildings in the north of Parcel 311 in Knowledge and Innovation Community (KIC) was certified LEED for Core & Shell – Platinum In January.

THE GROUP'S 2015 ANNUAL REPORT WON MULTIPLE AWARDS FROM PROFESSIONAL ORGANISATIONS:

Won the 2015 Vision Award – Bronze by League of American Communications Professionals (LACP).




Won the following awards conferred by the 2016 International ARC Awards in August: Cover Photo/ Design – Honors in the "Real Estate Development/Service: Various & Multi-Use" category; Traditional Annual Report – Silver in the "Real Estate Development/Service: Various & Multi-Use" category; and Interior Design – Gold in the "Real Estate Development/Service: Various & Multi-Use" category.

Received Citation for Design in The Hong Kong Management Association's Best Annual Reports Awards 2016, and won Silver in Annual Reports – Print ("Property Development" category) in the 2016 Galaxy Awards.

THE GROUP

JULY

The Group was conferred the Most Valuable Case Award in the 2016 China Learning & Development Value Award by HR Excellence Centre.

The Group was conferred the CSR Contribution Award at the CSR Excellence Awards 2016 "Green Development for a Shared Future" jointly organised by Jiefang Daily, Shanghai Daily, and eastday.com.

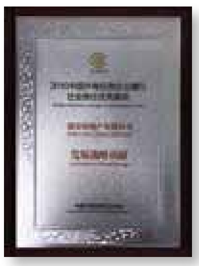
The Group was listed by Standard Ranking as 3^{rd} of 2016 Top 10 China Green Property Developers – Commercial Category and 9^{th} of 2016 Top 30 China Green Property Developers.

NOVEMBER

The Group was listed as 6^{th} of 2016 Top 30 Most Competitive Green Property Developers, one of the 2016 Top 10 China Green Property Developers, and 10^{th} of 2016 Green Property Operations in the Top China Green Property Developers Ranking List, jointly conferred by China Real Estate Business, CIHAF Organizing Committee, and China Green Building Industry Development Alliance.

DECEMBER

The Group was conferred the Contribution to National Strategy Award at the 2016 Best CSR Practices of Foreign Invested Enterprises in China, organised by China Association of Enterprises with Foreign Investment.



The Group was selected for the "Value Co-Creation" 2016 Outstanding CSR Practices, jointly awarded by Fudan University School of Management, CIIC Guanaitong, etc.

- Towers A and B, Rui Hong Xin Cheng Lot 10 – Commercial was pre-certified LEED for Core & Shell – Gold in March.
- Ruihong Tiandi – Hall of the Moon was certified LEED for Core & Shell – Gold in September.

CHINESE GREEN BUILDING EVALUATION LABEL

- Rui Hong Xin Cheng Lot 4 obtained a 2-star certification by the Chinese Green Building Evaluation Label in April.
- Rui Hong Xin Cheng Lot 6 obtained a 2-star certification by the Chinese Green Building Evaluation Label in August.

SUBSIDIARIES AND PROJECTS

Projects managed by Feng Cheng Property Management were awarded the following honors in the reporting year. 5 Corporate Avenue was named "2016 Shanghai Property Management Excellent Model Project" by The Trade Association of Shanghai Property Management; and Wuhan Ping An Financial Centre was named "2016 Wuhan Property Management Model Building" by Wuhan Association of Real Property Management.

Shanghai Taipingqiao was awarded multiple awards in the reporting year. Shanghai Xintiandi was named a "Famous Trademark of Shanghai" by Shanghai Administration for Industry and Commerce. It was selected as Top 20 Cultural Landmarks All Over the World by Forbes and a Classic Case of Urban Renewal in the World by the World Bank. Xintiandi Style shopping centre was awarded "2016 City Weekend Most Popular Shopping Centre" and "TimeOut Best Shopping Destination of the Year". HUBINDAO was awarded "TimeOut Top Family-Friendly Mall". THE HOUSE was featured in the 2016 Shanghai WOW! Shanghai Terrace Festival.

Ruihong Tiandi – Hall of the Moon had its soft opening in December. With "Life, Music, Home" as its brand concept, Hall of the Moon created an innovative "musical entertainment" label that attracted many creative and influential new-concept brands, which have proved to be very popular with shoppers.

Rui Hong Xin Cheng • The Gallery received multiple awards for its outstanding market transactions in the reporting year, including "2016 Shanghai Luxury Residences with Potential" by Jones Lang LaSalle.

THE HUB won the Commercial and Office Project Gold Award and Interior Category Gold Award conferred by the Real Estate Design China Award. It was also named 2016 Ideal Shanghai Best Gourmet Landmark by Shanghai Daily.

KIC won the Commercial Project Gold Award conferred by the Real Estate Design China Award and Gold Award – Best Mixed Use Development by the MIPIM Asia Awards.

Wuhan Tiandi won a series of awards in the reporting year. Wuhan Tiandi Site A was selected as the Tall Building Award Winner – Urban Habitat Award 2016 by the Council of Tall Buildings and Urban Habitat; Wuhan Tiandi was selected as one of two Excellent Units of International Community Development at the International Community Review convened by the Wuhan municipal government.

Chongqing Tiandi Lake Ville Lots B6/03 & B9/03 were listed as two of the 2015 Top 10 Safe Construction Sites and 2015 Top 10 Good Dust Control Construction Sites by the Yuzhong District Development and Transport Committee in Chongqing.

Dalian Tiandi Splendid Bay was awarded 2016 Excellent Residential Property in the Dalian City Area by Oriental Vision.

Foshan Lingnan Tiandi Commercial District was conferred Commercial and Office Project Gold Award by the Real Estate Design China Award.

CHAIRMAN'S STATEMENT

The asset-light strategy we adopted three years ago was key to our Group's performance in 2016. Despite growing market uncertainties we were able to unlock the value of our portfolio, seek new partnerships and enhance returns from our long-term master-planned development projects.

This refined strategy has made us a nimble company that is better positioned to seize new growth opportunities. It has put us in a strong position going into 2017, when Shui On Land will focus on Strength, Balance and Performance amid a rapidly changing and challenging market environment.

The **strength** of Shui On Land helped it weather the considerable global economic and political uncertainty. Our increased asset turnover rate generated a robust income stream and cash flow, reduced our debt gearing and strengthened our balance sheet.

The Group continues to strike a good **balance** between long and short term goals as well as between property sales and recurrent income from our solid rental portfolio. We are balancing our asset-light strategy with plans for future capital investments.

We aim to continuously enhance **performance** in management efficiency and decision-making which will result in better financial return and profitability.

FINANCIAL HIGHLIGHTS

During the year under review, turnover increased by 172% to RMB17,600 million, as property sales recognised as turnover substantially increased by 256% to RMB15,604 million. In addition to the property sales recognised as turnover, the Group completed RMB5,700 million of asset disposals recognised under disposal of subsidiaries (the disposal of Corporate Avenue 3 at Shanghai Taipingqiao).

Rental and related income increased by 6% to RMB1,716 million. The increase was a result of continued leasing progress made at newly completed properties as well as higher occupancies and rental growth from the existing investment property portfolio.

Gross profit increased by 250% to RMB5,905 million in 2016, while operating profit surged by 427% to RMB5,272 million. Meanwhile, gross profit margin increased by 8 percentage points to 34% in 2016.

Profit attributable to shareholders was RMB1,088 million in 2016, representing a 38% increase compared to RMB788 million in 2015. The increase reflected our strong sales during the year, and a decline in minority and convertible perpetual securities ownership interests.

COMPLEMENTARY TO OUR ASSET-LIGHT APPROACH, WE WILL ALSO PARTNER WITH OTHER INVESTORS, LANDOWNERS OR DEVELOPERS IN NEW AND EXISTING PROJECTS TO OPTIMISE THE USE OF OUR FINANCIAL RESOURCES AND LEVERAGE OUR BRAND AND MANAGEMENT EXPERTISE. SUCH PARTNERSHIPS ARE A KEY PIECE OF OUR STRATEGY FOR THE FUTURE.

A CHALLENGING MARKET

In contrast to the sharp rise in prices in early 2016, the implementation of progressively tightened measures restricted the purchase of potential home purchasers and investors, resulting in a sharp decline in transaction volume and a much slower market towards the final quarter of 2016.

Global economic and political uncertainty is expected to cause instability in the Chinese economy going forward. Tight government restrictions on residential property purchases will continue to slow sales. If the economy slows down, regulators may decide to ease controls as the real estate industry is an important pillar of the Chinese economy. This could lead to a slight improvement in the market in the latter half of 2017. However, overall sales will still be lower in 2017 than they were in 2016 due to government restrictions. We expect our projects in Shanghai to drive sales performance in 2017.

RECORD SALES PERFORMANCE

We produced an impressive RMB22,975 million in contracted property sales and other assets disposal in 2016, the highest in the Group's history, with residential sales contributing RMB16,300 million. Total sales rose 7% year-on-year but fell just short of our goal of RMB24,000 million as market cooling measures took effect, significantly impacting sales towards end of the year. We recorded RMB1,576 million of subscribed property sales at the end of the year, which are expected to turn into contracted property sales in the following months.

Rui Hong Xin Cheng (RHXC), our master-planned integrated community in Shanghai, remained a key driver of overall sales. The Upper and The Gallery, Phase 6 and 7 residential developments at RHXC, received an overwhelming response from the market. In February we launched 352 units of The Upper, and they were all sold on the first day. In June we launched 320 units of The Gallery, nearly all of which were sold by year-end. RHXC achieved more than RMB7.3 billion in residential contracted sales. This made it the second highest amount in Shanghai. The 2016 average selling price was RMB85,500 per square metre, 24% above last year's price.

Lakeville Luxe is our premium residential project located in downtown Shanghai, close by the Xintiandi commercial area. Built on the concept of "Living With Art", it features luxurious modern design and customised services. Out of the 184 units launched from December 2015, 150 residential units, or 82% of the total units launched, were sold by year-end of 2016 at an average selling price of RMB133,360 per square metre. Total contracted sales came to RMB4.75 billion.

INNOVATIVE DEVELOPMENTS

Shui On Land builds innovative mixed-use properties that keep the Group ahead of the competition through changing market conditions. Our renowned City Centre Master-planned Communities model, including the exemplary Xintiandi historic redevelopment area, enjoys continued success. The Knowledge Communities, another of our development models, represented by the Knowledge and Innovation Community (KIC) in Shanghai Yangpu District, where we have been working for the past 12 years, creates an eco-system fostering innovation and entrepreneurship while facilitating the district's economic transformation. The newly upgraded INNOSPACE+ within the KIC, consisting of InnoSpace as the incubator, InnoWork co-working space, IPO Club Startup Café, InnoMaker for hardware innovation and InnoApartment for living, is a comprehensive, one-stop solution for young entrepreneurs. It was ranked the top maker space by Shanghai government, and has received an even more enthusiastic response since its upgrade in September 2016.

Based on the success of these projects, the Group is creating a new development model by introducing the "Knowledge" element into integrated communities. We believe the new Knowledge Community + Xintiandi (KC + XTD) model will cater to the needs of young entrepreneurs and professionals who enjoy working and learning as much as indulging in lifestyle and fashion. The new model creates spaces for like-minded people to gather and share ideas.

We will also continue to enhance existing developments with the above-mentioned model. Examples include the introduction of the naked Hub co-working space into Shanghai Xintiandi and the revitalisation programme of the Jiangwan Sports Centre at KIC.

Complementary to our asset-light approach, we will also partner with other investors, landowners or developers in new and existing projects to optimise the use of our financial resources and leverage our brand and management expertise. Such partnerships are a key piece of our strategy for the future.

Geographically, we are exploring new opportunities primarily in Shanghai and Wuhan, as we are most optimistic about the property markets in these two cities over the long term.

The recent joint-bid of a prime parcel of land, located in the central area of Optics Valley Central City in Wuhan, is a litmus test of this new partnership model, and a rare opportunity in one of our prime target cities.

SOLID FOUNDATION

Our asset-light strategy has strengthened Shui On Land's balance sheet, making us financially prepared for uncertain times, domestically or internationally.

The weakness of the Renminbi to the US Dollar has been a challenge for us, and for other players in the market. Balancing risk management and cost, we have reduced our US and HK Dollar debt and will continue to do so. USD1.05 billion and HKD2.2 billion have already been refinanced in Renminbi and our overall Renminbi debt exposure has risen to 60% from 54% one year ago.

To strengthen management capabilities and better meet our business needs, we have integrated the commercial asset management of our Knowledge Community into China Xintiandi (CXTD), creating a single commercial asset management platform for greater efficiency. This helps clarify roles within the Group, with Shui On Land as the developer of properties and CXTD as the commercial asset manager.

We have also promoted a new generation of executives to run the asset management business. Stephanie Lo became Chair of the CXTD Executive Committee. Jessica Wang was appointed Managing Director of CXTD and Allan Zhang was named Chief Operating Officer of CXTD.

Our reorganisation has put us in a position to more effectively manage the business and produce growth amid market uncertainties. All eyes are on building our Strength, remaining Balanced and generating high Performance in the coming year.

THANK YOU FOR YOUR LOYALTY

I am grateful to our employees, clients, shareholders and partners for their tremendous loyalty and patient support as we have pursued our refined strategy in the past year.

We have made a lot of progress since I took back the executive leadership position and began this refined strategy. The Group is now in a much stronger position, financially and in terms of company culture, with younger executives taking on leadership roles. All of this has truly been a team effort, and I am confident that we are ready for the next phase of the Group's growth.

A big thank you to all those who are taking the lead and initiative in the Group's new direction. With a continuous concerted effort we will strive for a future of innovation and success at Shui On Land.

VINCENT H. S. LO

Chairman

Hong Kong, 22 March, 2017

MARKET UPDATES AND

PROJECT PROFILES

SHANGHAI

An economic metropolis of China, Shanghai is the country's leading commercial, financial and shipping centre. Shanghai is one of the four municipalities of the PRC, hosting a total population of 24.2 million at the end of 2016. The establishment of the China (Shanghai) Pilot Free Trade Zone in 2013 marked a milestone for a new round of market reforms and the expansion of Shanghai. In 2016, its total GDP stood at RMB2,747 billion, and GDP per capita at RMB113,600. Currently, approximately 1,473 financial institutions and the regional headquarters of 580 multinational corporations have a presence in Shanghai, while 411 overseas companies have set up research and development centres in the city.

GREATER HONGQIAO AREA

In Shanghai's 13th Five Year Plan (2016-2020), The Greater Hongqiao Area is designed as a top commercial centre and serves not only the cities in the Yangtze River Delta, but also China and the world. The planned site in the Greater Hongqiao Area is three times larger than the Pudong Lujiazui Financial Zone. The aim is to balance the development of western and eastern Shanghai and to ease traffic congestion in the city core. "West Gate" is an alternate and fitting name, referring to the area's role as a gateway for people and companies worldwide to enter China through the Yangtze River Delta via its comprehensive transportation network.

THE HUB

Site Location: THE HUB is ideally located at the heart of the Hongqiao Central Business District (CBD). It is linked directly to the Hongqiao Transportation Hub, thus facilitating convenient and efficient access to the major components of the Transportation Hub, namely the Shanghai High-Speed Rail Station that connects to all major cities in China, Terminal 2 of the Shanghai Hongqiao International Airport, and five Shanghai Metro lines.

Master-plan: Designed to become a new business, cultural and lifestyle landmark at the heart of the Hongqiao CBD, THE HUB comprises a large retail component, offices, a performance and exhibition centre and a hotel, spanning a total leasable GFA of 308,000 sq.m.. As China's economy approaches a world pinnacle, the integral role of Shanghai as a world-class financial and trading centre grows increasingly prominent. Hongqiao CBD will, not only be a dynamic new CBD

in Shanghai, but also the CBD of choice for the Yangtze River Delta, giving the area greater global exposure and significance.

The construction work of the development commenced in 2011 and completed in the second half of 2015 ("2H 2015"). A total of four Office Towers for a total GFA of 93,000 sq.m. were completed progressively from 2013 to 2014. Tenants have been moving in since the late 2014 and of which, Fortune 500 companies include Roche Diagnostics (Greater China Headquarters), Shell (Downstream Business Headquarters), world-leading coating company Sherwin-Williams (China Headquarters) and Acer Computer (China Headquarters), as well as regional headquarters and branch offices of leading companies of various industries. Occupancy rate of office reached 95% as of 31 December 2016. In addition, a 5-star hotel with a total GFA of 45,000 sq.m. was completed and delivered in 2015. The hotel was sold for a consideration of RMB965 million in 2014.

The combined retail portfolio of THE HUB has a total GFA of 151,000 sq.m.. Occupancy rate reached 79% as of 31 December 2016. Xintiandi and the office retail space with a total GFA of 26,000 sq.m. were completed from 2014 to 2015. Tenants including Shanghai Tang Café, Pizza Express and Glo London have commenced their operation since 2H 2015. In addition, the shopping mall with a total GFA of 125,000 sq.m. could accommodate over 200 shops. Anchor tenants including H&M, GAP, Muji, Emperor UA Cinema and Food Republic Food Court have gradually commenced operations from September 2015. The shopping mall offers a strong tenant mix with many brands making their first appearance in China or Shanghai including Emperor UA IMAX Cinema (the first IMAX theatre in Hongqiao CBD), Imperial Treasure Super Peking Duck (One of Asian's Top 50 restaurants), Yanjiyou Bookstore, Putien (Michelin star restaurant in SGP), Adidas SWC, and Hong Kong-style cuisine – 源港原味. The soft opening of the shopping mall was held in September 2015 and the official opening ceremony was held in December 2015. The performance and exhibition centre with a total GFA of 19,000 sq.m. was completed in 2H 2015. In 2016, the attracted events and activities had occupied for more than 300 days, including the most popular E-gaming competition in the world that lasted for 8 months: LOL Pro League.

In addition, THE HUB project received the "MIPIM Best Mixed-Use Development Project Gold Awards" from the MIPIM Asia 2015 in December 2015 and ICSC 2016 Gold Award for Design & development Excellence – New Developments in April 2016. As the first one-stop lifestyle centre that connects directly with the Hongqiao Transportation Hub, THE HUB enjoys an irreplaceable market positioning, via a unique and seamless blend of shopping, entertainment and F&B with the performing arts and a kids & family-friendly experience. THE HUB is the culmination of ideal space planning, and brings to the working crowd in Hongqiao CBD and its surrounding population of 75 million a brand new, iconic commercial and retail destination.

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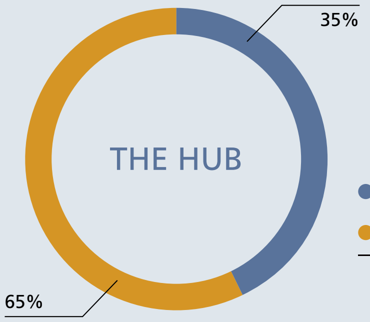

	sq.m.
Office	93,000
Retail	170,000
Total Leasable and Saleable GFA	263,000

The following table shows the usage mix of the project as of 31 December 2016 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %
Completed properties								
D17	–	76,000	24,000	–	100,000	33,000	133,000	78.11%
D19	–	17,000	146,000	–	163,000	39,000	202,000	78.11%
TOTAL	–	93,000	170,000	–	263,000	72,000	335,000	

HUANGPU DISTRICT

Huangpu District is in central downtown of Shanghai, on the west side of the Huangpu River, east side of the Jingan District and facing Pudong Lujiazui Financial District. With the approval of the State Council, the existing Huangpu District was extended with effect from June 2011 to include the old Luwan District.

The Bund, also in Huangpu District, is famous for its historical buildings overlooking the Huangpu River. Heading westward from the Bund are several major commercial streets, including East Nanjing Road, Fuzhou Road and Huai Hai Road. The 5,500-metre-long Huai Hai Road is a well-known shopping promenade in Shanghai. Another landmark of the Huangpu District is the People's Square, where the Shanghai Municipal Government is headquartered.

TAIPINGQIAO PROJECT

Site location: The Taipingqiao project is in Huangpu District, and sits ideally along one of Shanghai's main commercial thoroughfares – Huai Hai Middle Road, an area that has over the years been transformed into a world-class commercial area. It is now home to the flagship stores of a host of major retail luxury brands. Metro Lines 1, 8, 10 and 13 connect this project to major urban areas of Shanghai. Metro Line 13 is a new line that serves the community and crosses Metro Line 10 at the Xintiandi Station.

Master-plan: The project is a large-scale, city-core redevelopment project, with an emphasis on the preservation and restoration of historic buildings and the establishment of an integrated community. The Master-plan blends the classic architecture of "Old Shanghai" with modern features and amenities. The project comprises three main zones: Shanghai Xintiandi as the historic restoration zone; Corporate Avenue office towers together with the podium shopping malls – Hubindao, Xintiandi Style and Shui On Plaza – as the commercial zone; and Lakeville, a premium residential zone. The Group has been developing the project in phases since 1996.

In terms of the latest residential development, relocation of Lot 116 as Lakeville Phase 4, named Lakeville Luxe, was completed in August 2014 with a total GFA of 94,000 sq.m.. Lot 116 Phase 1 was completed and Phase 2 is currently under construction and planned for completion in 2017. When completed, Lakeville Luxe will comprise approximately 301 units of luxurious residential apartments. The first batch was launched for pre-sale in December 2015. A total GFA of 47,000 sq.m. of Lot 116 Phase 1 was completed and a total GFA of 29,000 sq.m. was delivered in December 2016. Relocation of Lakeville Phase 5 (Lot 118) with a total GFA of 80,000 sq.m. for residential use commenced in late 2014 with 100% of the households having signed relocation agreements as of 31 December 2016.

The construction works will be commenced in 2017. Lakeville Phases 1 to 3 with a GFA of approximately 253,000 sq.m. have been sold and delivered since 2002.

Among the commercial developments, Shanghai Shui On Plaza, Xintiandi, Xintiandi Style, with a total GFA of 140,000 sq.m. (36,000 sq.m. for office use and 104,000 sq.m. for retail use), are earmarked as investment properties of the Group. The asset enhancement initiative ("AEI") project for THE HOUSE, which has a leasable GFA of 7,000 sq.m., was completed in August 2015 and its anchor tenant Naked Hub, commenced its lease in June 2016. The occupancy rate reached 100% as of 31 December 2016. 3 Corporate Avenue (Lot 127) accommodates an office building with a GFA of 56,000 sq.m., incorporating a retail podium with a GFA of 31,000 sq.m. was completed in the first half of 2015. It was subsequently disposed of in December 2015 for RMB5,700 million and delivered in February 2016. 5 Corporate Avenue with a total GFA of 79,000 sq.m. was sold for RMB4,300 million in 2013. The office and retail complex at 1 & 2 Corporate Avenue, comprising a total GFA of 83,000 sq.m. were sold for RMB6,601 million in 2015.

Further relocation plans and timetable for the remaining 416,000 sq.m. of GFA, comprising 86,000 sq.m. for residential usage, 174,000 sq.m. for office usage, 118,000 sq.m. for retail usage and 38,000 sq.m. for hotel & serviced apartments usage, have yet to be determined.

The following table shows the usage mix of the project as of 31 December 2016 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %
Completed properties								
Xintiandi	–	4,000	43,000	–	**47,000**	15,000	**62,000**	78.11%
THE HOUSE	–	–	7,000	–	**7,000**	–	**7,000**	78.11%
The Lakeville and Lakeville Regency	–	–	–	–	–	23,000	**23,000**	99.00%
Casa Lakeville	–	–	–	–	–	5,000	**5,000**	99.00%
Xintiandi Style	–	–	26,000	–	**26,000**	8,000	**34,000**	77.33%
Lakeville Luxe (Lot 116) Phase 1	18,000	–	–	–	**18,000**	–	**18,000**	56.7456%
Shui On Plaza	–	32,000	28,000	–	**60,000**	8,000	**68,000**	62.49%[1]
SUBTOTAL	18,000	36,000	104,000	–	158,000	59,000	217,000	
Properties under development								
Lakeville Luxe (Lot 116) Phase 2	47,000	–	–	–	**47,000**	33,000	**80,000**	56.7456%
Lot 118	80,000	–	–	–	**80,000**	–	**80,000**	99.00%
SUBTOTAL	127,000	–	–	–	127,000	33,000	160,000	
Properties for future development								
SUBTOTAL	86,000	174,000	118,000	38,000	416,000	44,000	460,000	99.00%
TOTAL	231,000	210,000	222,000	38,000	701,000	136,000	837,000	

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

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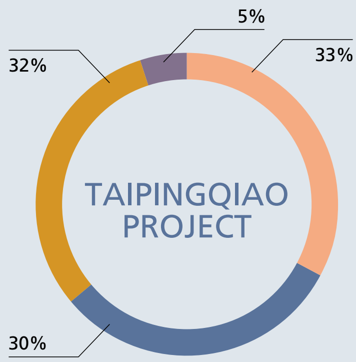
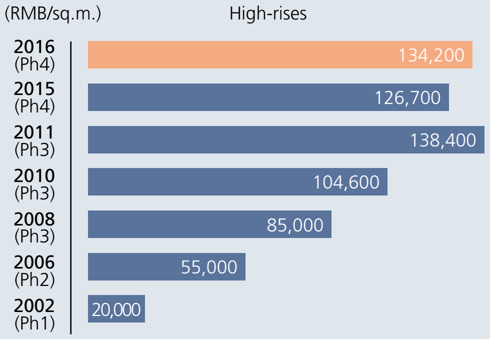
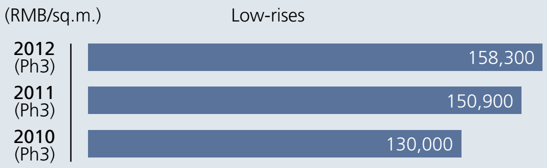


	sq.m.
Residential	231,000
Office	210,000
Retail	222,000
Hotel/ Serviced Apartments	38,000
Total Leasable and Saleable GFA	701,000

RESIDENTIAL ASP





HONGKOU DISTRICT

The Hongkou District is situated in downtown Shanghai. The District has a long history and deep cultural roots. It has been transformed into a modern, integrated district to facilitate its bustling commerce, an environment that accentuates quality of life, its unique cultural characteristics and efficient public services. The North Bund area of Hongkou District is the landmark shipping and logistics services development hub for Shanghai, serving more than 3,000 shipping and logistics companies. The major economic driving forces that tool the success of the Hongkou District are its shipping services, knowledge industries, leisure and entertainment services and its real estate industry.

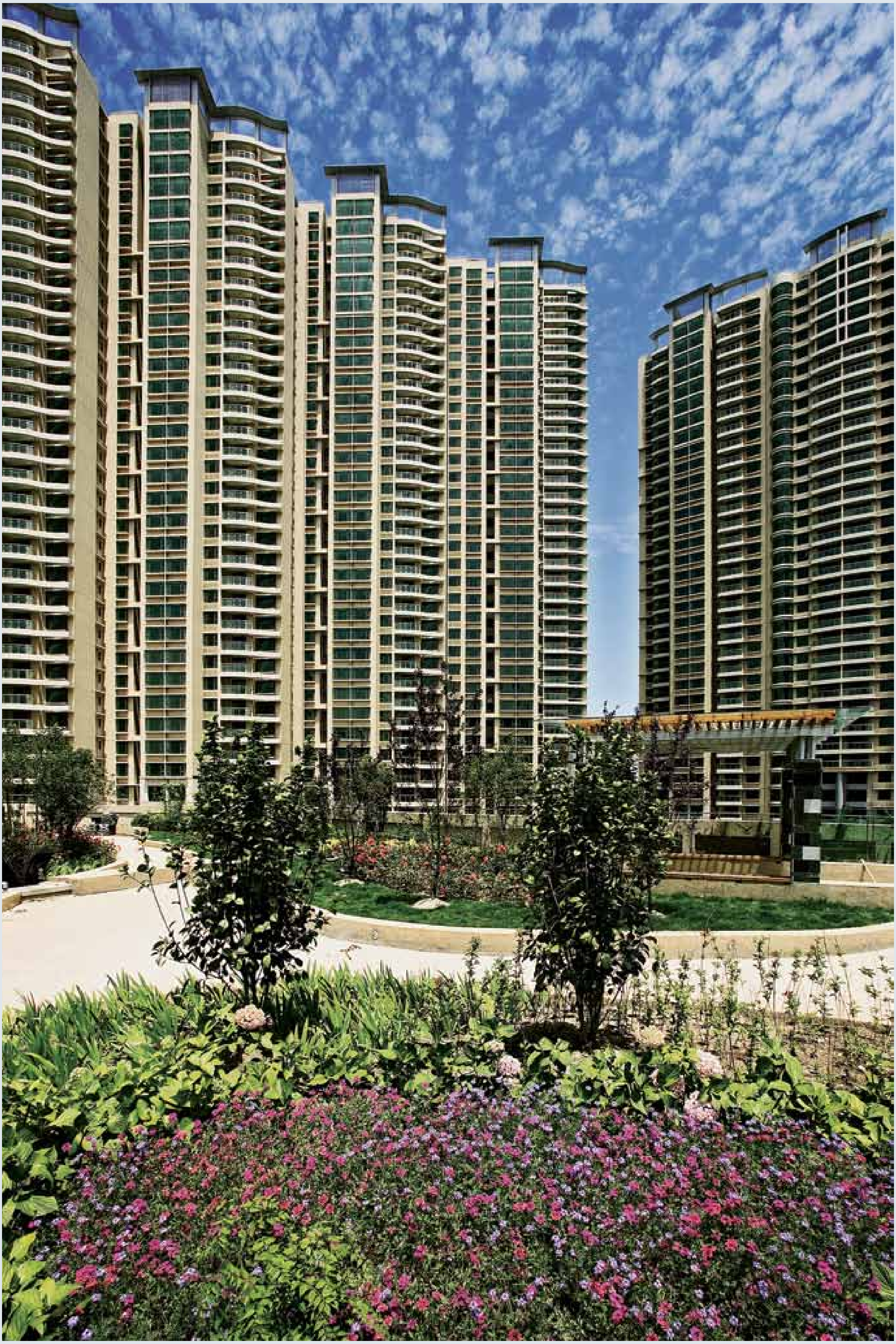
RUI HONG XIN CHENG

Site location: The Rui Hong Xin Cheng project ("RHXC"), known also as Rainbow City, is in Hongkou District. It is adjacent to the North Bund and the North Sichuan Road business district. The project enjoys excellent connectivity to the Lujiazui CBD and Pudong commercial district, via four metro lines: Metro Lines 4, 8, 10 and 12; as well as two tunnels: Xinjian Road Tunnel and Dalian Road Tunnel.

Master-plan: Rui Hong Xin Cheng is a large-scale, city-core redevelopment project. Per the Master-plan, the project will be revitalised to become an integrated community comprising office buildings, shopping centres, hotels, culture & entertainment space and residential properties. RHXC is projected to be a fashionable urban living destination within the Inner Ring Viaduct of Shanghai.

For residential developments in RHXC, the Group has developed, sold and delivered approximately 623,000 sq.m. in GFA of residential units, which were completed in six phases since 1998.

Relocation at The Upper, Phase 6 (Lot 9) and The Gallery, Phase 7 (Lot 2) was completed in late 2014, which encompass a total planned GFA of 189,000 sq.m. for residential and 3,000 sq.m. for ancillary retail usage. First batch of The Upper was launched for pre-sale in October 2015 at an ASP of RMB71,000 per sq.m. while the remaining units were launched for pre-sales in February 2016 at an ASP of RMB80,000 per sq.m.. The development was completed and delivered in November 2016. Pre-sales for the first batch of The Gallery was launched in June 2016 at an ASP of RMB98,000 per sq.m. and is scheduled for completion in 2017 and delivery from 2017. The ASP of contracted sales of the residential units has increased progressively from RMB16,600 per sq.m. in 2007 to RMB85,500 per sq.m. in 2016.



In terms of commercial properties, 128,000 sq.m. of leasable GFA has been developed into retail spaces and retained in the Group's investment property portfolio. Hall of the Moon (Ruihong Tiandi Lot 3) completed construction in late 2015, with a leasable GFA of 64,000 sq.m. for a retail podium. The retail podium commenced operations in December 2016 and its anchor tenants include G-Super, H&M, UNIQLO, Modern Sky and Emperor UA Cinema. The occupancy rate reached 61% as of 31 December 2016. A total GFA of 16,000 sq.m. for hotel usage at Lot 3 was also completed in late 2015. Hall of the Stars (Ruihong Tiandi Lot 6) with a total leasable GFA of 19,000 sq.m. commenced operations in 2015.

Relocation at Lots 1, 7 and 10, which comprise a total planned GFA of 607,000 sq.m., has seen good progress. Lots 1 & 7 with a total GFA of 267,000 sq.m. and 2,000 sq.m. are to be developed into residential and ancillary retails respectively. Lot 10, also named Hall of the Sun, with a total leasable and saleable GFA of 338,000 sq.m. is to be developed into a shopping mall and two office towers. As of 31 December 2016, approximately 98%, 95% and 99.9% of the residents at Lots 1, 7 & 10 have signed relocation agreements respectively. It is estimated that the completion of the relocation of these three sites are to be in 2017-2018.

Further relocation plans and timetable for the remaining 230,000 sq.m. of GFA, comprising 83,000 sq.m for residential usage, 69,000 sq.m. for office usage and 78,000 sq.m. for retail usage, at Lots167A and 167B have yet to be determined.

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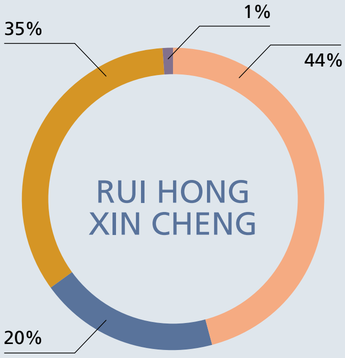
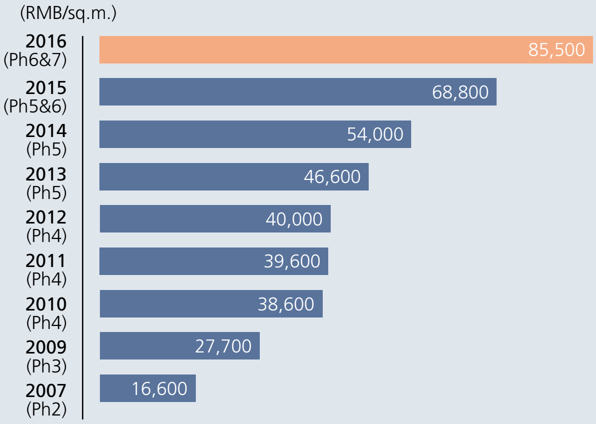


	sq.m.
Residential	486,000
Office	225,000
Retail	393,000
Hotel/ Serviced Apartments	16,000
Total Leasable and Saleable GFA	1,120,000

RESIDENTIAL ASP



The following table shows the usage mix of the project as of 31 December 2016 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %
Completed properties								
The Palette 1	–	–	5,000	–	**5,000**	13,000	**18,000**	100.00%
The Palette 3	–	–	28,000	–	**28,000**	21,000	**49,000**	99.00%
The Palette 5	–	–	–	–	**–**	3,000	**3,000**	99.00%
The Palette 2	–	–	12,000	–	**12,000**	18,000	**30,000**	99.00%
Hall of the Stars (Ruihong Tiandi Lot 6)	–	–	19,000	–	**19,000**	7,000	**26,000**	99.00%
The View (Lot 6)	–	–	–	–	**–**	10,000	**10,000**	99.00%
Hall of the Moon (Ruihong Tiandi Lot 3)	–	–	64,000	16,000	**80,000**	22,000	**102,000**	99.00%
The Upper (Lot 9)	32,000	–	2,000	–	**34,000**	31,000	**65,000**	99.00%
SUBTOTAL	32,000	–	130,000	16,000	178,000	125,000	303,000	
Properties under development								
The Gallery (Lot 2)	104,000	–	1,000	–	**105,000**	44,000	**149,000**	99.00%
Lot 10	–	156,000	182,000	–	**338,000**	105,000	**443,000**	99.00%
Lot 1	109,000	–	1,000	–	**110,000**	7,000	**117,000**	99.00%
Lot 7	158,000	–	1,000	–	**159,000**	4,000	**163,000**	99.00%
SUBTOTAL	371,000	156,000	185,000	–	712,000	160,000	872,000	
Properties for future development								
SUBTOTAL	83,000	69,000	78,000	–	230,000	2,000	232,000	100.00%
TOTAL	486,000	225,000	393,000	16,000	1,120,000	287,000	1,407,000	

YANGPU DISTRICT

Yangpu District is in the northern part of Shanghai with Wujiaochang area being the centre which has been designated to be one of the city's four sub-centres by the Shanghai municipal government. Yangpu District has been transformed into a knowledge industry and support services hub to complement an important development goal of Shanghai to become a prominent technology hub of the world. The district is also home to over 10 universities and colleges, including Fudan University, Tongji University and Shanghai University of Finance and Economics. The presence of 22 key state laboratories and 65 scientific research institutes gives the district an unparalleled competitive advantage in becoming the intellectual hub of Shanghai.

KNOWLEDGE AND INNOVATION COMMUNITY

Site location: The Knowledge and Innovation Community ("KIC") project is strategically located in the immediate vicinity of major universities and colleges in Yangpu District, northeast of downtown Shanghai. The public transportation network provides commuters with multiple connections between the project and the city centre, including the Middle-Ring Highway, over 30 public transportation routes and Metro Line 10.

Master-plan: KIC is designed to be a multi-functional community with a lifestyle characterised by health and sustainability. Through the project, the Group is facilitating the transformation of the Yangpu District from an industrial and manufacturing area to a plateau for knowledge and innovation. The project draws on readily available education and human resources in the vicinity. The ultimate goal is to create an environment that fosters innovation, commercialisation, technological development, cultural activities, research and business incubation, as well as growth and development.

Since 2003, a GFA of over 344,000 sq.m. has been progressively developed as office and retail properties, with the Group retaining 225,000 sq.m. as part of its investment property portfolio. Major construction work at KIC was completed as of the end of 2015. A hotel building located at Lot 311 with a total GFA of 22,000 sq.m. was completed in the second half of 2016 ("2H 2016"). The occupancy rate at the KIC remains stable, with established technology companies, including EMC2, Oracle, EBAO, VMware, Splunk, Deloitte and IBM as tenants.

The last batch of residential units at Jiangwan Regency, the residential development of Lot 311, was sold in 2013 with an ASP reaching RMB38,600 per sq.m. This represents an over 100% increase in ASP from when the first phase was launched in 2007 at RMB18,700 per sq.m.. To-date, a total GFA of 132,000 sq.m. in residential developments has been sold and delivered for this project.

KIC is an international knowledge community that aims to integrate work, live, learning and play. KIC has been regarded as landmark of innovation and entrepreneurship in Shanghai. After 13 years of development, KIC has emerged as a cradle for entrepreneurs, and a mature knowledge community which combines the spirit of entrepreneurship and vibrant cultural communications. Over 500 start-ups are incubating in KIC, and

they play pioneer roles in multiple industries including TMT, design, education, services etc. Nearby universities, industry giants (MNC tenants), and growing start-ups have come together to form a mutually beneficial eco-system. KIC is where dreams are made and realised.

- INNOSPACE+ is a complete ecosystem for entrepreneurs and early-stage startups. It comprises an entrepreneurs' café, an incubator, accelerator, co-working space, hardware incubator, an investment fund, entrepreneurs' apartment and boutique hotel. Boasting an effective incubation service platform and acceleration program, INNOSPACE+ is ranked the top accelerator in Shanghai by the Shanghai Technology Bureau in 2016. Today, INNOSPACE+ is well on-track to become the cradle for early stage startups and entrepreneurs with considerable influences and niche in internet & internet-related space in China.

- University Avenue is a vibrant part of KIC. The road offers a wide selection of gourmet cuisines from various regions including Mexico, Thailand and Italy. Those coffee shops, leisure restaurants, independent book stores, creative retail stores can be seen everywhere in university avenue, which certainly inspire your daily life just as you are in Silicon Valley or the Left Bank of Paris.

- Hundreds of events take place in KIC throughout the year, including Shanghai's Mayor Conference, annual Makers Carnival, Christmas Countdown, Fête de la musique Summer Music Day, Global Hackathons, etc. These events attract thousands of people who favor Innovation, Entrepreneurship, and Lifestyles of Health and Sustainability (LOHAS).

KIC received the "MIPIM Best Mixed-Use Development Project Gold Awards" from the MIPIM Asia 2016 in November 2016.

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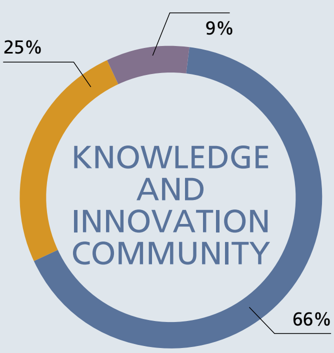
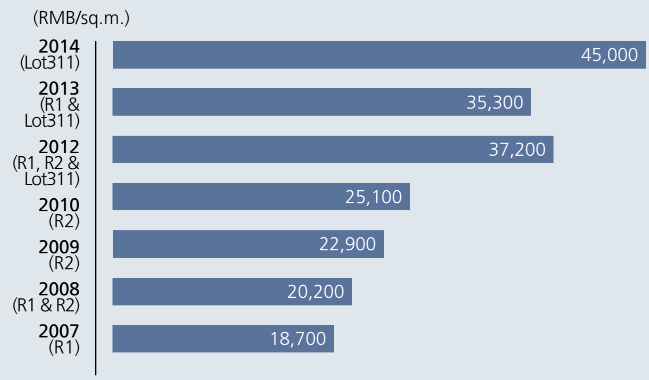


	sq.m.
Office	164,000
Retail	63,000
Hotel/ Serviced Apartments	22,000
Total Leasable and Saleable GFA	249,000

RESIDENTIAL ASP



The following table shows the usage mix of the project as of 31 December 2016 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %
Completed properties								
KIC Village R1	–	–	7,000	–	**7,000**	11,000	**18,000**	86.80%
KIC Village R2 (Lots 7-9, 8-2)	–	5,000	3,000	–	**8,000**	7,000	**15,000**	86.80%
KIC Village R2 (Lot 7-7)	–	6,000	1,000	–	**7,000**	17,000	**24,000**	86.80%
1-3, 10 KIC Plaza (Phase 1)	–	29,000	21,000	–	**50,000**	25,000	**75,000**	86.80%
5-9 KIC Plaza (Phase 2)	–	39,000	10,000	–	**49,000**	30,000	**79,000**	86.80%
11-12 KIC Plaza (C2)	–	27,000	11,000	–	**38,000**	12,000	**50,000**	86.80%
KIC Village 12-8	–	5,000	–	–	**5,000**	2,000	**7,000**	86.80%
Jiangwan Regency	–	–	–	–	**–**	9,000	**9,000**	99.00%
1-3 KIC Corporate Avenue	–	–	2,000	–	**2,000**	8,000	**10,000**	99.00%
5-7 KIC Corporate Avenue	–	53,000	8,000	–	**61,000**	28,000	**89,000**	99.00%
Lot 311 Hotel	–	–	–	22,000	**22,000**	–	**22,000**	99.00%
TOTAL	–	164,000	63,000	22,000	249,000	149,000	398,000	

SPACES FOR CREATIVE MINDS

INNOSPACE+

INNOSPACE+ in the Shanghai Knowledge and Innovation Community (KIC) creates a comprehensive, one-stop solution for young entrepreneurs, consisting of InnoSpace as the incubator, InnoWork co-working space, IPO Club Startup Café, InnoMaker for hardware innovation and InnoApartment for living. Upgraded in September 2016, it remains the leading destination for Shanghai's brightest new talents.

The Knowledge and Innovation Community (KIC) in Shanghai brings together the headquarters of international technology companies. Unlike other technology parks, INNOSPACE+ in KIC is appealing as it not only operates with a genuine commercial mindset but is also really capable of supporting the startups.

YING HUANG
Founder of R2

LIVE, WORK, PLAY, LEARN

KC+XTD MODEL: A NEW CONCEPT FOR THE INNOATIVE COMMUMITY

Our new development model, Knowledge Community + Xintiandi (KC+XTD), combines the success of Knowledge Communities with our Xintiandi developments to cater to the needs of young entrepreneurs and professionals who enjoy working and learning as much as indulging in lifestyle and fashion. The naked Hub co-working space in our Shanghai Xintiandi development is an example the innovators attracted to this new comprehensive development model.

We had a lot of freedom to design a total experience, from the exterior architecture and plaza to the interior. The living space will be one of the best we've seen so far. On one end it overlooks the lake and on the other side a long balcony overlooks the plaza. The atrium has a skylight and a hanging nest which will be one of the coolest meeting spaces in town. We are so excited about naked Hub in Xintiandi.

DELPHINE YIP-HORSFIELD
Chairman | Chief Design Officer
of naked Group

JONATHAN SELIGER
CEO of naked Hub

WUHAN

Situated at the junction of the Yangtze and Han rivers, Wuhan is the capital city of Hubei Province. It is central China's largest city and a nucleus of manufacturing, commerce, and transportation. As the hub city in central China, Wuhan is the focus of comprehensive reform & innovation pilot and innovative trade service strategy. Meanwhile, Wuhan's strategic value as a transportation hub has been further enhanced by its emergence as a major hub within China's high speed railway (HSR) framework. Rail travel time between Wuhan to major cities within Hubei province takes only one hour; time between Wuhan and major provincial capitals in central China takes only two hours; time to mega cities, such as Beijing, Shanghai, Guangzhou, Chongqing and Chengdu takes only five hours. In 2016, GDP growth in Wuhan reached 7.8% and the total GDP stood at RMB1,191.3 billion.

WUHAN TIANDI

Site location: The Wuhan Tiandi project is situated in the city centre of Hankou District. It occupies a prime location on the Yangtze River waterfront, with unparalleled views of the Yangtze River and scenic Jiangtan Park. In December 2008, the municipal government formally approved plans for a 'Riverside Business Zone' which includes the Wuhan Tiandi project. The Riverside Business Zone is designed to be a premium destination for the city's financial and business needs, as well as a hub for innovation and culture.

Master-plan: Wuhan Tiandi is a large-scale, mixed-use redevelopment comprising two major sites. Site A includes office towers, retail, food and beverage, and entertainment facilities, together with some residential blocks. Site B comprises mainly residential and office buildings, supported by an ancillary retail centre. The project has become a landmark in Wuhan, benefiting from a careful balance of preserving local historical architecture while injecting new commercial value. With a total GFA of 160,000 sq.m., the retail and food and beverage component have been in operation since 2007, and are included in the Group's investment property portfolio.

Residential developments in Wuhan Tiandi have been well received by the market. Construction work at La Riva (Lot B14), with a total GFA of 88,000 sq.m. for residential use, commenced in the second half of 2013 ("2H 2013"). It was launched for sale from the second half of 2014 ("2H 2014") to 2015 and completed and delivered in 2016. Construction work at Lot B4/B5 with a total GFA of 41,000 sq.m. for residential usage and GFA of 71,000 sq.m. for commercial usage commenced in the first half of 2015 ("1H 2015"), residential was launched in December 2015 and is scheduled to be completed in 2017. Site A residential units were sold and delivered. In Site B, Wuhan Tiandi B9, B11 & B13, comprising a total GFA of 178,000 sq.m., was also sold and delivered following its completion from 2012 to 2014.

The commercial development of Lots A1/A2/A3, offering a total GFA of 388,000 sq.m., comprises a retail podium and 3 office towers. Development of A1 office is in progress. In March 2016, two office buildings located at Lot A1 and 3 Corporate Avenue (Lot A3) at Wuhan Tiandi with an estimated saleable GFA of 232,200 sq.m. for office use, were disposed of for RMB4,499 million. 3 Corporate Avenue with a GFA of 55,100 sq.m. was delivered in October 2016 for RMB1,134 million and the remaining A1 Office is targeted to be completed and delivered in 2020. HORIZON (a shopping mall at Lots A1/A2/A3) with a total GFA of 114,000 sq.m. commenced operation in September 2016, major tenants include Cinema PALACE, King of Party, Skyland Food Court. The occupancy rate was 79% as of 31 December 2016. In December 2014, the office tower at Lot A2, 2 Corporate Avenue, with a total GFA of 42,500 sq.m., was sold for a consideration amounted to RMB937 million and was delivered in 2H 2015.

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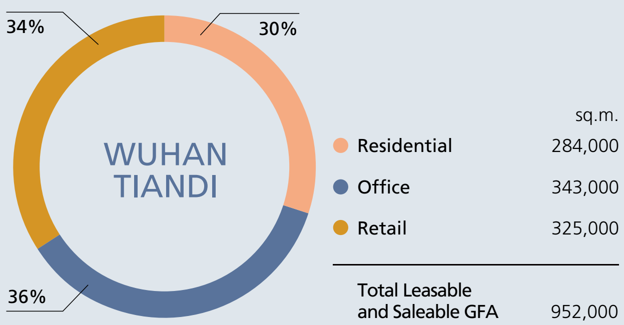
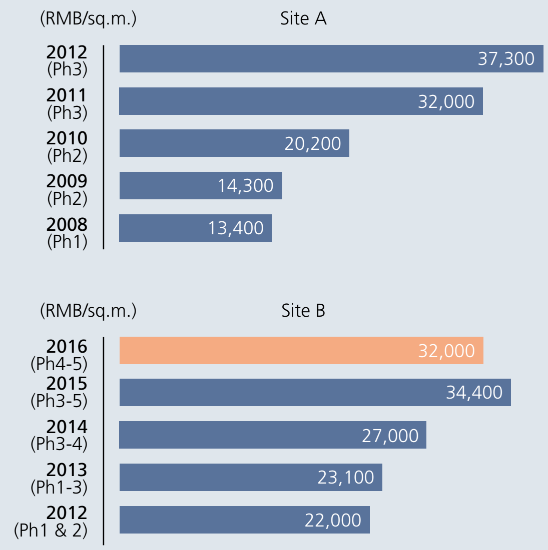


RESIDENTIAL ASP



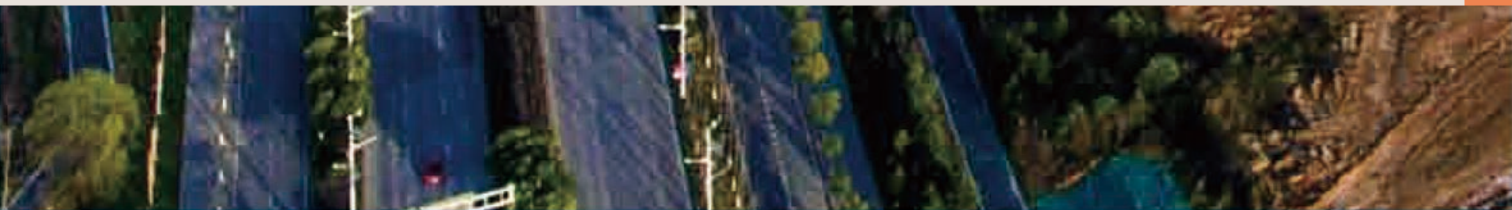
The following table shows the usage mix of the project as of 31 December 2016 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %
Completed properties								
Wuhan Tiandi (Lots A4-1/2/3)	–	–	46,000	–	**46,000**	25,000	**71,000**	78.11%
La Riva	–	–	–	–	**–**	25,000	**25,000**	100.00%
HORIZON (Lots A1/A2/A3 mall)	–	–	114,000	–	**114,000**	117,000	**231,000**	100.00%
SUBTOTAL	–	–	160,000	–	160,000	167,000	327,000	
Properties under development								
Wuhan Tiandi Park Place (Lot B4/5 Retail)	–	–	71,000	–	**71,000**	78,000	**149,000**	100.00%
Wuhan Tiandi Park View (Lot B5)	41,000	–	–	–	**41,000**	–	**41,000**	100.00%
Lot A1 Office Tower	–	177,000	–	–	**177,000**	16,000	**193,000**	100.00%
Lot B10	108,000	–	–	–	**108,000**	–	**108,000**	100.00%
SUBTOTAL	149,000	177,000	71,000	–	397,000	94,000	491,000	
Properties for future development								
SUBTOTAL	135,000	166,000	94,000	–	395,000	–	395,000	100.00%
TOTAL	284,000	343,000	325,000	–	952,000	261,000	1,213,000	

NEW PROJECT
WUHAN OPTICS VALLEY CENTRAL CITY SITE

On 24 January 2017, Hua Xia Rising (Hong Kong) Limited ("Hua Xia Rising"), a joint venture company owned indirectly as to 50% by the Group and 50% by 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 GFA of 1,284,000 sq.m., RMB1,790 per sq.m. on average. The amount for land payment by the Group is expected to be approximately RMB1,410 million.

The Land is in the central area of Optics Valley Central City which is the administrative services centre and business centre of Optics Valley. Optics Valley is in Wuhan East Lake High-tech Development Zone and ranked in the top 10 among the 114 high-tech zones in China in 2015, which is one of the National Innovation Demonstration and the Free Trade Zones in China. Optics Valley Central City serves as the engine of the national innovation city and is planned to be a world-class innovation centre.



CHONGQING

Chongqing is strategically located in the upstream section of the Yangtze River. It is the only municipality in western China (the other three being Beijing, Shanghai and Tianjin). Together with its five neighbouring provinces, Chongqing covers a regional market with a population of 311.8 million, and is emerging as the regional economic hub of western China. Given its inland location and relatively low urbanization rate, Chongqing stands to gain as the new leadership of China focuses on re-balancing and urbanization strategies. Sustained investment in key infrastructure projects connecting the western region to Chongqing, and Chongqing to the rest of China, have enabled Chongqing to play a dominant role as the catalyst for growth in western China. In 2016, GDP growth in Chongqing reached 10.7% and its total GDP reached RMB1,756 billion. Chongqing was also selected as the site of the 3rd China-Singapore government-to-government project. This strategic development marks an important milestone for the "One Belt and One Road" initiative aimed at reviving the ancient trade routes spanning Asia, Africa and Europe.

CHONGQING TIANDI

Site location: The Chongqing Tiandi project is in Yuzhong District, the International Business District of Chongqing.

Master-plan: Chongqing Tiandi is an urban redevelopment project. The Master-plan for this project includes a man-made lake with pavilions and a promenade along the waterfront, a commercial core comprising Grade A office buildings, exhibition and conference facilities, luxury-standard hotels, and retail and entertainment outlets. Hillside residential clusters were designed to replicate Chongqing's traditional hill-town characteristics and to offer scenic views of the lake and river. The development of this project envisages establishing a service hub to support Chongqing's economic development. In 2012, the project was authorised as Chongqing's "International Business District" by the Chongqing Foreign Trade and Economic Relations Commission.

Since 2008, the residential phases "Riviera I to VI" and "Lake Ville Phase 1" have been completed and progressively delivered to customers, comprising a total GFA of 905,000 sq.m.. In 2016, a total GFA of 151,000 sq.m.of residential apartments, GFA of 3,000 sq.m. of LOFT and GFA of 9,000 sq.m. of retail area were sold and delivered to the customers. The ASP* of the residential units sold to date has increased from RMB 6,800 per sq.m. in 2009 to RMB 11,500 per sq.m. in 2016 (based on contracted sales price). The Riviera VI stage II (Lot B16 Phase 2) for a GFA of 108,000 sq.m. commenced construction in 2014 was completed and delivered in 2H 2016. Construction work of Lake Ville Phase 1 (Lot B9) for a GFA of 54,000 sq.m. commenced in 2015 and was also completed and delivered in 2H 2016. Lake Ville Phase 2 (Lot B6) for a GFA of 125,000 sq.m. commenced in 2015 and is scheduled for completion in 2017.

In the commercial cluster, Corporate Avenue towers 2 to 8 (Lot B11-1 Phase 1, Lots B12-1, B12-3 and B12-4), totalling 351,000 sq.m of office GFA, and 4,000 sq.m, of retail GFA were sold, completed and delivered between 2012 and 2014.

Jialing Mall phase 1 with a total GFA of 79,000 sq.m. on the podium of Corporate Avenue office towers (Lots B12-3, B12-4, Lot B11-1) commenced operation in 2015. Major tenants include Chongqing Ocean World, Chongqing's first and only ocean aquarium in operation, and Palace Cinema.

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

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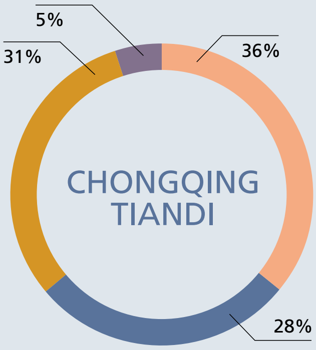
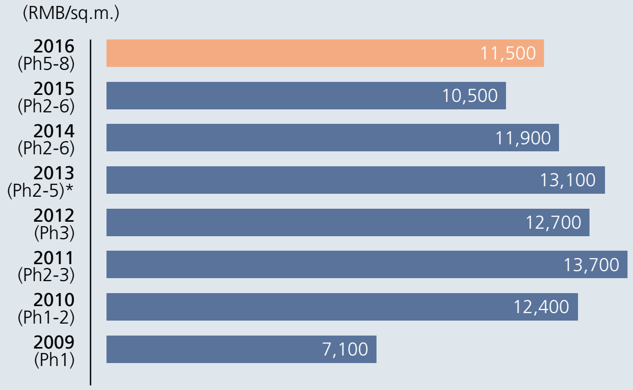


	sq.m.
Residential	542,000
Office	431,000
Retail	469,000
Hotel/ Serviced Apartments	75,000
Total Leasable and Saleable GFA	1,517,000

RESIDENTIAL ASP



* Residential ph2-5 & Retail

The following table shows the usage mix of the project as of 31 December 2016 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %
Completed properties								
The Riviera I (Lot B1-1/01)	–	–	1,000	–	**1,000**	9,000	**10,000**	99.00%
Chongqing Tiandi (Lot B3/01)	–	–	49,000	–	**49,000**	25,000	**74,000**	99.00%
The Riviera II (Lot B2-1/01)	–	–	3,000	–	**3,000**	28,000	**31,000**	99.00%
The Riviera III (Lot B19/01)	–	–	2,000	–	**2,000**	16,000	**18,000**	99.00%
2 Corporate Avenue (Lot B11-1/02 Phase 1)	–	–	11,000	–	**11,000**	16,000	**27,000**	99.00%
The Riviera IV (Lot B20-5/01)	–	–	–	–	**–**	12,000	**12,000**	99.00%
The Riviera V (Lot B18/02)	–	–	2,000	–	**2,000**	26,000	**28,000**	99.00%
6, 7 Corporate Avenue (Lot B12-3/02)	–	–	37,000	–	**37,000**	13,000	**50,000**	99.00%
8 Corporate Avenue (Lot B12-4/02)	–	–	31,000	–	**31,000**	12,000	**43,000**	99.00%
The Riviera VI (Lot B16/03)	–	–	8,000	–	**8,000**	57,000	**65,000**	99.00%
Lake Ville Phase 1 (Lot B9)	3,000	11,000	8,000	–	**22,000**	16,000	**38,000**	99.00%
SUBTOTAL	3,000	11,000	152,000	–	166,000	230,000	396,000	
Properties under development								
Lake Ville Phase 2 (Lot B6)	111,000	–	14,000	–	**125,000**	53,000	**178,000**	99.00%
1, 10 Corporate Avenue (Lot B11-1/02 Phases 2&3)	–	259,000	104,000	25,000	**388,000**	113,000	**501,000**	99.00%
Lot B15/03	189,000	–	21,000	–	**210,000**	76,000	**286,000**	99.00%
Lot B5/03	109,000	–	13,000	–	**122,000**	48,000	**170,000**	99.00%
Lot B10/03	30,000	18,000	5,000	–	**53,000**	17,000	**70,000**	99.00%
SUBTOTAL	439,000	277,000	157,000	25,000	898,000	307,000	1,205,000	
Properties for future development								
SUBTOTAL	100,000	143,000	160,000	50,000	453,000	126,000	579,000	99.00%
TOTAL	542,000	431,000	469,000	75,000	1,517,000	663,000	2,180,000	

FOSHAN

Situated at the heart of the Pearl River Delta and only 28 km to the southwest of the Guangzhou city centre, Foshan is one of the most vigorous cities of China, supported by its economic dynamism along with a rich historical and cultural heritage. In 2016, GDP growth in Foshan reached 8.3% with a total GDP of RMB863 billion. GDP per capita was RMB116,150. In order to ensure the city's sustainable development, the Foshan government has committed to ambitious urban renewal projects, high-tech park establishment and investments in transportation infrastructure. Specifically, the reconstruction and revitalization of Zumiao historic and cultural buildings is one of the local government's core tasks. Foshan is developing two major new business zones, namely the Sino-German Industrial Service Zone and the Guangdong High-Tech Service Zone, which will significantly boost Foshan's economic prospects and vitality. Besides the Guangfo Metro, which has linked downtown Foshan with downtown Guangzhou since 2011, construction has also started in 2014 for Guangfo Metro Line 2, which will connect the Gaoming and Chancheng districts of Foshan city to the Guangzhou high-speed railway station. The new line is slated for completion by 2018.Guangfo Metro Line 3, which will connect the North-West and South-East districts of Foshan to downtown Foshan, started construction in 2016.

FOSHAN LINGNAN TIANDI

Site Location: The Foshan Lingnan Tiandi project is strategically located in the old town centre of central Chancheng District, Foshan's traditional downtown area and public transportation hub. The project was listed as a part of the renowned Lingnan-culture area, which is poised to become a national 5A tourist destination. Two subway stations of the Guangzhou-Foshan line are connected to the project site. The Guangfo Metro Line 1 is connected to Haizhu District, allowing for convenient access to downtown Guangzhou. The extended line from Xilang Station to Yangang Station, which passes through the Zhujiang River, entered into operations on 28 December 2015. The commute distance from Zumiao Station, the subway station at the project site, to Haizhu District is shortened to 30 minutes.

Master-plan: The project is a large-scale urban redevelopment, comprising office, retail, hotel and cultural facilities and residential complexes in an integrated community. The centre piece of Foshan's cultural heritage is Zumiao, an immaculately preserved ancient Taoist temple. This and another well-known historic area, the Donghuali, are national grade heritage sites and are both located within the project. The Foshan municipal government's plan is to upgrade the area into a business and commercial zone, focusing on business, culture, and tourism.

Since 2011, the Group has developed and delivered approximately 497,000 sq.m. in GFA, of which 274,000 sq.m. was residential units and 223,000 sq.m. was commercial properties. The high-rise and mid-rise apartments, offering a total GFA of 43,000 sq.m. in Lingnan Tiandi • Park Royale (Lot 6) with 3,000 sq.m retail portion were launched in the second half of 2013, RMB225 million was contracted in 2015 and remaining residential units were sold out in 2016. The low-rises offering a total GFA of 12,000 sq.m. in Lingnan Tiandi • The Imperial (Lot 16), were launched and delivered since 2015. Lingnan Tiandi • Metropolis (Lot 18), offering a total GFA of 97,000 sq.m. high-rise apartments and 17,000 sq.m. retail portion was completed in 2015. Residential units were sold out as of 31 December 2016.

The development of Lot E stage 1 has completed ahead of schedule by two months in 2015, enabling the opening of NOVA on 30 April 2016, a shopping mall positioned as "Young and Trendy". The shopping mall with a total GFA of 75,000 sq.m. (including the metro corridor) offers a wide tenants mix and its anchor tenants include UA Cinema, blt Supermarket, H&M, GAP, Eat'n Fun Food Court, and EF Education First. As of 31 December 2016, the occupancy rate has reached 84%.

Foshan Lingnan Tiandi Lot 4 with a total GFA of 231,500 sq.m. was disposed of in 2016.

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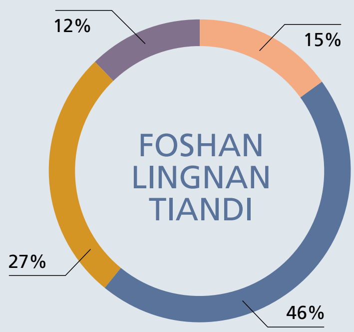
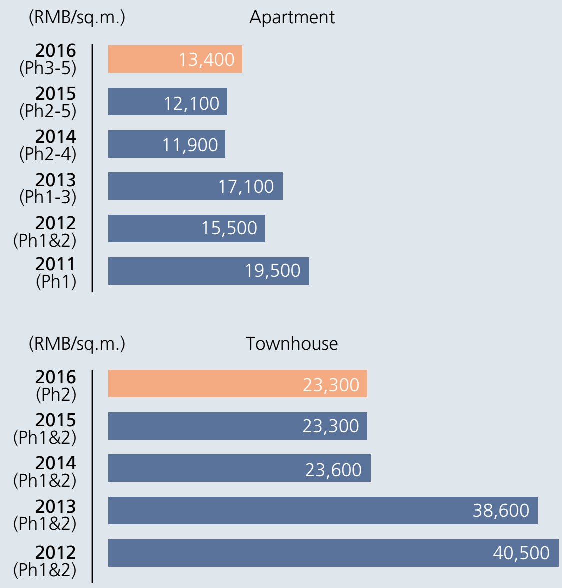


	sq.m.
Residential	157,000
Office	465,000
Retail	273,000
Hotel/ Serviced Apartments	123,000
Total Leasable and Saleable GFA	1,018,000

RESIDENTIAL ASP



The following table shows the usage mix of the project as of 31 December 2016 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %
Completed properties								
The Regency Phase 1 (Lot 4)	–	–	–	–	–	7,000	7,000	100.00%
The Legendary Phase 1 (Lot 14)	–	–	–	–	–	4,000	4,000	100.00%
Lingnan Tiandi Phase 1 (Lot 1 Ph1)	–	–	15,000	–	15,000	2,000	17,000	100.00%
Marco Polo Lingnan Tiandi Foshan Hotel	–	–	15,000	43,000	58,000	19,000	77,000	100.00%
The Regency Phase 2 (Lot 5)	–	–	–	–	–	10,000	10,000	100.00%
The Legendary Phase 2 (Lot 15)	1,000	–	–	–	1,000	4,000	5,000	100.00%
Lingnan Tiandi Phase 2 (Lot 1 Ph2)	–	–	34,000	–	34,000	2,000	36,000	100.00%
Lingnan Tiandi·Park Royale (Lot 6)	1,000	–	2,000	–	3,000	23,000	26,000	100.00%
Lingnan Tiandi·The Imperial (Lot 16)	8,000	–	–	–	8,000	8,000	16,000	100.00%
Lingnan Tiandi·The Metropolis (Lot 18)	–	–	17,000	–	17,000	44,000	61,000	100.00%
Lot E	–	15,000	75,000	–	90,000	34,000	124,000	100.00%
Lot 3 Phase1	–	–	1,000	–	1,000	–	1,000	100.00%
SUBTOTAL	10,000	15,000	159,000	43,000	227,000	157,000	384,000	
Properties under development								
Lot G	–	–	2,000	–	2,000	–	2,000	100.00%
Lingnan Tiandi Phase 3 (Lot 1 Ph3)	–	–	5,000	–	5,000	–	5,000	100.00%
SUBTOTAL	–	–	7,000	–	7,000	–	7,000	
Properties for future development								
SUBTOTAL	147,000	450,000	107,000	80,000	784,000	2,000	786,000	100.00%
TOTAL	157,000	465,000	273,000	123,000	1,018,000	159,000	1,177,000	

DALIAN

Dalian is a port city in Liaoning Province and also the major gateway for China's northeast region. Endowed with an advantageous coastal location and world class infrastructure, Dalian is an important economic hub of northeast China. In 2016, Dalian's GDP reached RMB815 billion, an increase of 6.5% from a year ago. The amount of Dalian's exports reached USD24.4 billion, and amounts for 56% of the total amount of the whole province.

DALIAN TIANDI

Site location: Dalian Tiandi is an integrated mixed-use development set in the scenic city of Dalian in China's northeast Liaoning Province.

Master-plan: The Dalian Tiandi project envisages a green, highly modern, trendsetting suburban lifestyle community development that is designed to appeal primarily to green living enthusiasts and knowledge workers. Situated at the midpoint of South Lvshun Road Software Industry Belt, Dalian Tiandi extends across a 12.5 kilometres range.

In terms of its residential development, in 2016, a total GFA of 78,000 sq.m. of residential, including Lot E02a phases 2&3 in Huangnichuan (Site C of Dalian Tiandi) and Lot B08b in Hekou Bay (Site A of Dalian Tiandi), was completed. In 2016, the ASPs of contracted sales of villas and residential apartments in Huangnichuan were RMB11,200 per sq.m. and RMB7,200 per sq.m. respectively and ASP of residential in Hekou Bay was RMB11,200 per sq.m.. In Huangnichuan, a total GFA of 68,000 sq.m. for residential usage and 69,000 sq.m. for commercial usage are presently under construction. In Hekou Bay, a total GFA of 69,000 sq.m. for residential use, 29,000 sq.m. for office spaces, 14,000 sq.m. for retail space and 14,000 sq.m. for service apartments are under construction, which are planned for progressive completion from 2017 to 2020.

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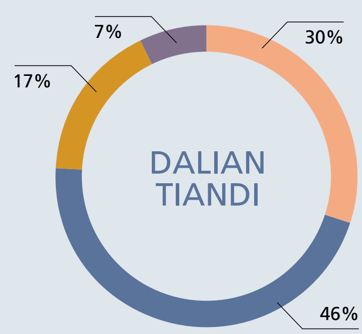
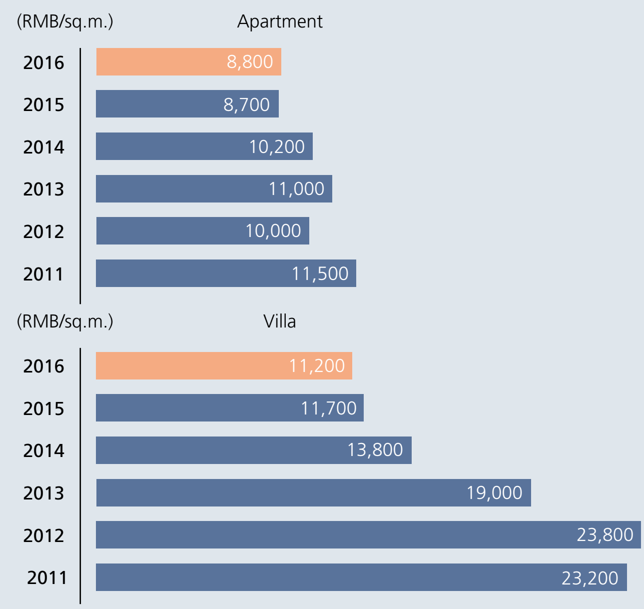


	sq.m.
Residential	844,000
Office	1,280,000
Retail	491,000
Hotel/ Serviced Apartments	186,000
Total Leasable and Saleable GFA	2,801,000

To-date, a total GFA of 207,000 sq.m. has been developed into office space, with tenants including established technology companies such as IBM and Chinasoft, with an additional GFA of 41,000 sq.m. developed into a retail podium. These completed properties are held as investment properties of Dalian Tiandi.

RESIDENTIAL ASP



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	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %
Completed properties								
Huangnichuan North								
Lot D22 (Aspen and Maple Towers)	–	42,000	–	–	**42,000**	15,000	**57,000**	48.00%
Lot B02 (Ambow Training School)	–	113,000	–	–	**113,000**	4,000	**117,000**	48.00%
Lot D14 (Acacia and Lynwood Towers)	–	52,000	–	–	**52,000**	10,000	**62,000**	48.00%
Lot E06 (Villas)	8,000	–	–	–	**8,000**	3,000	**11,000**	48.00%
Lot E06 (Mid/high-rises)	–	–	–	–	–	30,000	**30,000**	48.00%
Lot E29	–	–	–	–	–	11,000	**11,000**	48.00%
Lot C10 (Engineer Apartment)	37,000	–	–	–	**37,000**	9,000	**46,000**	48.00%
Lot D10 (IT Tiandi)	–	–	41,000	–	**41,000**	–	**41,000**	48.00%
Lot C14	–	–	–	–	–	24,000	**24,000**	48.00%
Lot E02a	24,000	–	–	–	**24,000**	25,000	**49,000**	44.72%
Hekou Bay								
Lot B09	–	–	–	–	–	17,000	**17,000**	44.72%
Lot B13	–	–	–	–	–	21,000	**21,000**	48.00%
Lot C01	–	–	–	–	–	7,000	**7,000**	44.72%
SUBTOTAL	69,000	207,000	41,000	–	317,000	176,000	493,000	
Properties under development								
Huangnichuan North								
Lot D14 (SO5)	–	36,000	–	–	**36,000**	15,000	**51,000**	48.00%
Lot D10 (Hotel)	–	–	–	33,000	**33,000**	22,000	**55,000**	48.00%
Lot C22	21,000	–	–	–	**21,000**	10,000	**31,000**	48.00%
Lot E02b	47,000	–	–	–	**47,000**	14,000	**61,000**	48.00%
other lots	168,000	14,000	18,000	–	**200,000**	93,000	**293,000**	48.00%
Hekou Bay								
Lot B08a	–	–	13,000	–	**13,000**	5,000	**18,000**	44.72%
Lot C03	26,000	–	–	14,000	**40,000**	15,000	**55,000**	44.72%
Lot B02 (SO)	–	29,000	1,000	–	**30,000**	36,000	**66,000**	48.00%
Lot B10a	43,000	–	–	–	**43,000**	30,000	**73,000**	48.00%
other lots	76,000	127,000	156,000	97,000	**456,000**	52,000	**508,000**	48.00%
SUBTOTAL	381,000	206,000	188,000	144,000	919,000	292,000	1,211,000	
Properties for future development[1]								
SUBTOTAL	394,000	867,000	262,000	42,000	1,565,000	–	1,565,000	48.00%
TOTAL	844,000	1,280,000	491,000	186,000	2,801,000	468,000	3,269,000	

1 Dalian Tiandi is excepted to have a landbank of 3.3 million in GFA. As of 31 December 2016, approximately 3.0 million sq.m. had been acquired. The remaining GFA of approximate 0.3 million sq.m. is excepted to be acquired through public bidding in due course.

Rui Hong Xin Cheng • The Upper is highly recognised by customers

For the year ended 31 December 2016, the Group recorded turnover RMB17,600 million, with property sales and rental and related income from investment properties accounting for RMB15,604 million or 89% and RMB1,716 million or 10% respectively, of total turnover. RMB222 million of turnover was contributed by the construction business. The remaining RMB58 million was generated from other business.

In addition to property sales being recognised as turnover, the disposal of 3 Corporate Avenue at Shanghai Taipingqiao totalled RMB5,700 million of property sales was recognised as disposal of equity in subsidiaries. Going forward, the Group will continue to dispose commercial developments and undertake equity-selling of assets at appropriate timing to unlock the value of the Group's portfolio in order to increase asset turnover and capital recycling.

Gross profit increased 250% to RMB5,905 million in 2016 compared to RMB1,689 million in 2015. Gross profit margin increased by 8 percentage points to 34%.

Contracted property sales and other assets disposal of the Group jumped 7% to RMB22,975 million in 2016 compared to RMB21,513 million in 2015 as we took advantage of the robust market in first half of the year. Residential property sales accounted for 71% and the remaining 29% was contributed by commercial property sales.

In 2016, due to more investment properties had been sold the Group only recorded a moderate increase in fair value of its investment property portfolio, totalling of RMB1,176 million. The fair value gain represents 3% of the total carrying value of the Group's remaining investment property portfolio at valuation as of 31 December 2016. A total leasable and

Foshan Lingnan Tiandi blends the traditional culture and modern life

saleable gross floor area ("GFA") of 1,652,000 sq.m. of investment properties held by the Group was carried at valuation, accounting for 28% of the total landbank of the Group (excluding landbank of Dalian associates) as of 31 December 2016.

The Group suffered an exchange loss of RMB895 million in 2016 due to the weak RMB performance. However, with our effort in hedging and reducing our foreign currency exposure, the loss reduced by 23% compared to year 2015.

Profit for the year increased by 1% to RMB1,776 million in 2016, compared to RMB1,767 million in 2015. However, with less interests attributable to non-controlling shareholders and convertible perpetual securities owners, profit attributable to shareholders increased by 38% to RMB1,088 million in 2016 compared to RMB788 million in 2015.

Despite contribution from the disposal of 3 Corporate Avenue at Shanghai Taipingqiao, the Group's core earnings still dropped by 26% to RMB1,798 million in 2016 from RMB2,423 million in 2015 due to more commercial sales were achieved in the previous year. However, the Group will continue to explore opportunities to dispose its commercial properties in order to unlock the value of its portfolio.

As of 31 December 2016, total locked-in sales including disposal of commercial properties and contributions from Dalian associates, for delivery in 2017 and beyond, was RMB13,602 million, with a total GFA of 502,100 sq.m..

As of 31 December 2016, the Group's total assets was RMB122,213 million. With an intense focus on cash flow management, the Group generated positive cash flow during the year, total cash and bank deposits was RMB15,567 million at the year end and enabled to record a lowered net gearing ratio to 68%, a drop of 13 percentage points compared to the end of 2015.

PROPERTY SALES

RECOGNISED PROPERTY SALES

For the year 2016, total recognised property sales, including property sales recognised as turnover, disposal of investment properties, disposal of equity in subsidiaries and turnover of associates, was RMB21,960 million (after deduction of applicable taxes), representing an increase of 79%. Total GFA sold was 852,000 sq.m., with ASP decreased by 1% to RMB26,900 per sq.m.. The changes were mainly due to a change in property sales mix and higher ASP achieved when disposal of 1&2 Corporate Avenue at Shanghai Taipingqiao in 2015. In terms of the breakdown in total recognised sales:

- Property sales (after deduction of applicable taxes) accounted as turnover substantially increased by 256% to RMB15,604 million, on a total GFA of 684,700 sq.m.. ASP increased by 61% to RMB24,100 per sq.m.. Gross profit margin of property sales accounted as turnover was 30% in 2016 compared to 11% in 2015. The margin improvement was mainly due to increased contribution from Shanghai Taipingqiao, Shanghai Rui Hong Xin Cheng ("RHXC") and Wuhan Tiandi, which contributed RMB3,698 million, RMB3,618 million and RMB3,980 million respectively to the turnover.

- Property sales recognised as disposal of equity in subsidiaries amounted to RMB5,700 million, which was the *en-bloc* sales of 3 Corporate Avenue at Shanghai Taipingqiao for a total GFA of 87,300 sq.m..

- Property sales recognised as disposal of investment properties amounting to RMB58 million included the strata-title commercial property sales of various street front retail space in Chongqing and Shanghai RHXC for a total GFA of 1,700 sq.m..

- Recognised property sales for Dalian Tiandi amounted to RMB598 million, and its related profit or loss was recorded in the share of results of associates.

The table below summarises by project of the recognised sales (stated after the deduction of applicable taxes) for 2016 and 2015:

PROJECT	2016 Sales revenue RMB' Million	2016 GFA sold sq.m.	2016 ASP[1] RMB per sq.m.	2015 Sales revenue RMB' million	2015 GFA sold sq.m.	2015 ASP[1] RMB per sq.m.
Shanghai Taipingqiao						
Lakeville Luxe (Lot 116)	3,698	29,400	132,800	–	–	–
3 Corporate Avenue	5,700	87,300	65,300	–	–	–
1 & 2 Corporate Avenue	–	–	–	6,601	83,200	79,300
THE HUB Hotel	–	–	–	910	45,000	21,400
Shanghai RHXC						
Residential	3,618	53,600	73,400	126	2,500	53,400
Retail	47	1,000	50,000	14	300	49,500
Shanghai KIC						
Office	–	–	–	21	800	27,800
Residential	–	–	–	8	200	42,400
KIC Corporate Avenue Office	105	4,800	22,900	617	24,500	26,700
KIC Corporate Avenue Retail	3	200	15,000	–	–	–
Wuhan Tiandi						
Site B Residential	2,906	88,700	34,700	–	–	–
Site B Retail	–	–	–	13	290	48,000
3 Corporate Avenue	1,074	55,100	20,600	–	–	–
2 Corporate Avenue	–	–	–	883	42,500	22,000
Chongqing Tiandi						
Residential[2]	1,221	151,400	10,400	1,252	144,900	11,100
Office & Retail	236	12,100	20,700	96	3,900	26,100
Foshan Lingnan Tiandi						
Townhouses	26	1,300	21,500	186	7,900	25,000
Low-/mid-/high-rises	605	50,400	12,800	927	84,800	11,600
Retail	75	6,900	11,400	67	1,000	71,100
Other Assets Disposal (Lot 4)	1,842	231,500	8,000	–	–	–
SUBTOTAL	21,156	773,700	28,500	11,721	441,790	28,100
Carparks and others	206	–	–	262	–	–
Dalian Tiandi[3]						
Mid-/high-rises	530	73,200	7,700	275	33,900	8,600
Villas	68	5,100	14,100	29	2,500	12,300
TOTAL	21,960	852,000	26,900	12,287	478,190	27,200
Recognised as:						
– property sales in turnover of the Group[4]	15,604	684,700	24,100	4,380	309,890	15,000
– disposal of investment properties[4]	58	1,700	36,500	92	3,700	26,400
– disposal of hotel properties	–	–	–	910	45,000	21,400
– disposal of equity in subsidiaries holding commercial properties	5,700	87,300	65,300	6,601	83,200	79,300
– turnover of associates	598	78,300	8,100	304	36,400	8,900
TOTAL	21,960	852,000	26,900	12,287	478,190	27,200

1 The calculation of ASP per sq.m. is based on gross sales revenue before the deduction of business tax/ 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 Sales of commercial properties are recognised as "turnover" if the properties concerned are designated for sale prior to the commencement of development. 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 ASSETS DISPOSAL

Contracted property sales and other assets disposal of the Group achieved a record high in 2016, having increased 7% to RMB22,975 million compared to RMB21,513 million in 2015. Residential property sales accounted for 71%, commercial property sales accounted for 22% while the remaining 7% was contributed by other assets disposal. ASP decreased by 29% to RMB24,200 per sq.m. compared to RMB34,100 per sq.m. in 2015 due to a change in property mix. The breakdowns of contracted sales are:

- Contracted property sales from residential properties and carparks (including those from Dalian) totalled RMB16,300 million, representing an increase of 96% over RMB8,335 million in 2015. The surge was mainly due to increased contributions from residential property sales in Shanghai projects which amounted to RMB11,699 million in 2016, compared to RMB2,939 million in 2015. This included the successful launches of the second batch of The Upper (Lot 9) and the first batch of The Gallery (Lot 2) at Shanghai RHXC and the continued sales at Lakeville Luxe (Lot 116) at Shanghai Taipingqiao. Sales performances of Wuhan, Chongqing, Foshan and Dalian remained stable in 2016.

- ASPs of the residential apartments across most of our projects recorded an increase in 2016; Shanghai Taipingqiao, Shanghai RHXC, Chongqing Tiandi and Foshan Lingnan Tiandi increased by 139%, while the ASPs of Wuhan and Dalian Tiandi remained stable compared to the previous year.

- Contracted commercial property sales, comprising a total GFA of 255,500 sq.m., amounted to RMB4,982 million, representing a decrease of 62% compared to RMB13,178 million in 2015. The major contributions were from Wuhan Tiandi 3 Corporate Avenue (GFA: 55,100 sq.m.) and Wuhan Tiandi Lot A1 (GFA: 177,100 sq.m.), which were disposed for RMB1,134 million and RMB3,365 million respectively. In addition, various office and retail properties located in Shanghai, Chongqing and Foshan were strata-titled and sold to individual buyers. The Group also disposed Lot 4 at Foshan Lingnan Tiandi with a total GFA of 231,500 sq.m..

- In addition to the contracted property sales and other assets disposal outlined above, as of 31 December 2016, a total GFA of 19,500 sq.m., amounting to a total value of RMB1,576 million, was subscribed and subject to formal sales and purchase agreements.

The commercial properties of the Group are well recognised by the market and investors

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 2016 and 2015:

PROJECT	2016 Contracted amount RMB' million	2016 GFA sold sq.m.	2016 ASP RMB per sq.m.	2015 Contracted amount RMB' million	2015 GFA sold sq.m.	2015 ASP RMB per sq.m.
Residential property sales:						
Shanghai Taipingqiao						
Lakeville Luxe (Lot 116)	4,375	32,600	134,200	380	3,000	126,700
Shanghai RHXC	7,324	85,700	85,500	2,559	37,200	68,800
Wuhan Tiandi						
Site B Residential	1,586	49,600	32,000	2,027	58,900	34,400
Chongqing Tiandi						
Residential[1]	1,529	161,500	11,500	1,606	186,700	10,500
Foshan Lingnan Tiandi						
Townhouses	7	300	23,300	100	4,300	23,300
Low-/mid-/high-rises	429	32,000	13,400	835	68,900	12,100
Dalian Tiandi[2]						
Mid-/high-rises	837	95,300	8,800	548	62,800	8,700
Villas	74	6,600	11,200	27	2,300	11,700
Carparks and others	139	–	–	253	–	–
SUBTOTAL FOR RESIDENTIAL PROPERTY SALES	16,300	463,600	35,200	8,335	424,100	19,700
Commercial property sales:						
Shanghai Taipingqiao						
1&2 Corporate Avenue	–	–	–	6,601	83,200	79,300
3 Corporate Avenue	–	–	–	5,700	87,300	65,300
Shanghai RHXC	130	4,700	27,700	65	1,260	51,600
Shanghai KIC						
1 & 2 KIC Corporate Avenue (Offices)	–	–	–	601	22,800	26,400
Retail	3	200	15,000	–	–	–
Office	110	4,800	22,900	43	1,450	29,700
Wuhan Tiandi						
3 Corporate Avenue (Lot A3 Office)	1,134	55,100	20,600	–	–	–
Lot A1 Office	3,365	177,100	19,000	–	–	–
Site B Retail	–	–	–	14	290	48,000
Chongqing Tiandi						
Office	89	7,200	12,400	27	2,200	12,300
Retail	87	4,600	18,900	70	2,600	26,900
Foshan Lingnan Tiandi						
Retail	50	1,800	27,800	16	200	80,000
Kindergarten	–	–	–	41	5,800	7,100
Carparks and others	14	–	–	–	–	–
SUBTOTAL FOR COMMERCIAL PROPERTY SALES	4,982	255,500	19,500	13,178	207,100	63,600
Other assets disposal:						
Foshan Lingnan Tiandi (Lot 4)	1,693	231,500	7,300	–	–	–
GRAND TOTAL	22,975	950,600	24,200	21,513	631,200	34,100

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.

RESIDENTIAL GFA AVAILABLE FOR SALE AND PRE-SALE IN 2017

The Group has approximately 329,300 sq.m. of residential GFA spanning five projects, available for sale and pre-sale during 2017, as summarised below:

PROJECT		Available for sale and pre-sale in 2017
		GFA in sq.m.
Shanghai Taipingqiao	Lakeville Luxe (Lot 116) (High-rises)	51,900
Shanghai RHXC	High-rises	66,300
Chongqing Tiandi	High-rises	63,900
Foshan Lingnan Tiandi	Townhouses and Low-rises	8,600
Dalian Tiandi	Villas, High-rises and Serviced Apartments	138,600
TOTAL		329,300

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.

Show flat of Rui Hong Xin Cheng • The Gallery

PROPERTY DEVELOPMENT PROGRESS

PROPERTY COMPLETED IN 2016 AND DEVELOPMENT PLANS FOR 2017 AND 2018

The table below summarises the projects with construction completed in 2016 and construction work that is planned for completion in 2017 and 2018:

PROJECT	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.
Actual delivery in 2016							
Shanghai Taipingqiao	47,000	–	–	–	**47,000**	–	**47,000**
Shanghai RHXC	85,000	–	2,000	–	**87,000**	31,000	**118,000**
Shanghai KIC	–	–	–	22,000	**22,000**	–	**22,000**
Wuhan Tiandi	88,000	55,000	114,000	–	**257,000**	148,000	**405,000**
Chongqing Tiandi	133,000	14,000	15,000	–	**162,000**	84,000	**246,000**
Foshan Lingnan Tiandi	–	–	2,000	–	**2,000**	–	**2,000**
Dalian Tiandi[1]	78,000	–	–	–	**78,000**	25,000	**103,000**
TOTAL	431,000	69,000	133,000	22,000	655,000	288,000	943,000
Planned for delivery in 2017							
Shanghai Taipingqiao	47,000	–	–	–	**47,000**	33,000	**80,000**
Shanghai RHXC	104,000	–	1,000	–	**105,000**	44,000	**149,000**
Wuhan Tiandi	41,000	–	71,000	–	**112,000**	78,000	**190,000**
Chongqing Tiandi	111,000	–	14,000	–	**125,000**	53,000	**178,000**
Dalian Tiandi[1]	26,000	–	–	14,000	**40,000**	15,000	**55,000**
TOTAL	329,000	–	86,000	14,000	429,000	223,000	652,000
Planned for delivery in 2018							
Chongqing Tiandi	80,000	–	23,000	–	**103,000**	32,000	**135,000**
Dalian Tiandi[1]	43,000	–	–	–	**43,000**	30,000	**73,000**
TOTAL	123,000	–	23,000	–	146,000	62,000	208,000

1 Dalian Tiandi is a project developed by associates of the Group.

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) with a total GFA of 94,000 sq.m. residential apartments, the first batch 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 delivered to the buyers since December 2016 while the remainder is planned to be launched in 2017.

SHANGHAI RHXC

The Upper (Lot 9), with a total GFA of 85,000 sq.m. of residential apartments and 2,000 sq.m. of ancillary retail with the first batch being launched for pre-sale in October 2015 and the second batch was launched for pre-sale in February 2016, have been completed and delivered in November 2016. The Gallery (Lot 2), with a total GFA of 104,000 of residential and 1,000 sq.m. of ancillary retail, with the first batch with a total GFA of 40,000 sq.m. being launched for pre-sale in June 2016, is scheduled for completion and delivery in 2017.

Hall of the Moon (Ruihong Tiandi Lot 3) completed construction in late 2015, with a total leasable GFA of 64,000 sq.m. for a retail podium. The retail podium commenced operation in December 2016 and its anchor tenants include G-Super, H&M, UNIQLO, Modern Sky and Emperor UA Cinema. The occupancy rate reached 61% as of 31 December 2016.

Chongqing Tiandi has matured with a mixture of commercial, office and residential elements

SHANGHAI KIC

A hotel building located at Lot 311 with a total GFA of 22,000 sq.m. was completed in September 2016.

WUHAN TIANDI

La Riva (Lot B14), with a total GFA of 88,000 sq.m. for residential use was completed and delivered in 2016. 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 is scheduled for completion in 2017. Park Place (Lot B4/5 Retail) with a total GFA of 71,000 sq.m. for retail use has been under construction since 2015 and is planned for completion in 2017.

In May 2016, two office buildings, namely 3 Corporate Avenue (Lot A3) and Lot A1 located at Wuhan Tiandi with an estimated saleable GFA of 232,000 sq.m. for office use, were disposed of for RMB4,499 million. 3 Corporate Avenue with a total GFA of 55,000 sq.m. was delivered to the buyer in October 2016 for RMB1,134 million and Lot A1 is targeted to be completed and delivered in 2020.

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

CHONGQING TIANDI

A total GFA of 133,000 sq.m. of residential apartments, 14,000 sq.m. of office developments and 15,000 sq.m. of retail use were completed in 2016. It included The Riviera VI stage 2 (Lot B16 phase 2) with a total GFA of 103,000 sq.m. for residential apartments and 5,000 sq.m. for ancillary retail use; Lake Ville Phase 1 (Lot B9) with a total GFA of 30,000 sq.m. for residential apartments, 14,000 sq.m. for office developments and 10,000 sq.m. for retail use. Lake Ville Phase 2 (Lot B6) with a total GFA of 111,000 sq.m. for residential use and 14,000 sq.m. for retail use are under construction and is scheduled for completion in 2017.

FOSHAN LINGNAN TIANDI

Construction work of Lot E was completed in 2015, comprising NOVA (a shopping mall) with a GFA of 73,000 sq.m. and 15,000 sq.m. for office use. The shopping mall commenced operation on 30 April 2016, with an occupancy rate of 84% as of 31 December 2016. Subsequently, a total GFA of 2,000 sq.m. of retail use at Lot E metro corridor was also completed in 2016.

DALIAN TIANDI

At Huangnichuan (Site C of Dalian Tiandi), Lot E02a phases 2&3 for a total GFA of 60,000 sq.m. for residential apartments were completed in 2016. At Hekou Bay (Site A of Dalian Tiandi), GFA of 18,000 sq.m. of residential use was completed in 2016. A total GFA of 137,000 sq.m. for residential use, 65,000 sq.m. for office space, 14,000 sq.m. for retail space and 14,000 sq.m. for serviced apartment use are under construction. They are planned for completion progressively from 2017 to 2020.

By way of a cautionary note, the actual completion date depends 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.

INVESTMENT PROPERTY

Rental and related income from investment properties increased by 6% to RMB1,716 million in 2016 despite losing 1-3 Corporate Avenue at Shanghai Taipingqiao from the portfolio. The increase reflected continued leasing progress made at THE HUB at Shanghai Hongqiao Transportation Hub, the opening of NOVA at Foshan Lingnan Tiandi, HORIZON at Wuhan Tiandi, and Hall of the Moon at Shanghai RHXC, plus rental growth from the existing completed investment property portfolio.

Occupancy within the office property portfolio increased noticeably, driven by leasing activity at the office properties of 5, 6 and 7 KIC Corporate Avenue, and THE HUB, reflecting progresses made following their completion since late 2014. Occupancy rate of 5, 6 and 7 KIC Corporate Avenue increased 22 percentage points from 2015 to 99.5% as of 31 December 2016. Key new tenants include Deloitte, TCL, Lubansoft and Angelalign. At THE HUB, the combined occupancy rate of the four office towers had reached 95% as of 31 December 2016. New leases executed during the 2016 include Naked Retreat, Lion Travel and ANTA Sport Products. These tenants joined other well-known corporate tenants including Acer, Sherwin Williams, Shell, HSBC, Roche Diagnostics, Prosnav, Grundfos and Keyence.

Occupancy levels of the completed retail portfolio also increased sharply, led by robust leasing activities at THE HOUSE of Shanghai Taipingqiao and THE HUB, also three newly opened commercial properties, NOVA, HORIZON and Hall of the Moon. Occupancy rates of these five operating properties have reached 100%, 79%, 84%, 79% and 61% respectively, with tenants progressively moving in since late 2015. The asset enhancement initiative ("AEI") project at THE HOUSE, which has a leasable GFA of 7,000 sq.m., was completed in August 2015 and its anchor tenant Naked Hub, commenced its lease in June 2016. The combined retail portfolio of THE HUB has a total GFA of 151,000 sq.m. including Xintiandi, the office retail and shopping mall. Tenants include Shanghai Tang Café, Pizza Express, H&M, GAP, Muji, Emperor UA Cinema and Food Republic Food. NOVA, a shopping mall (including the metro corridor) with a total leasable GFA of 75,000 sq.m. can accommodate over 150 shops. The shopping mall offers a wide tenant mix. HORIZON with a total GFA of 114,000 sq.m. commenced operation in September 2016, major tenants include Cinema PALACE, King of Party, Skyland Food Court. Hall of the Moon with a leasable GFA of 64,000 sq.m. for a retail podium, commenced operation in December 2016 and its anchor tenants include G-Super, H&M, UNIQLO, Modern Sky and Emperor UA Cinema. We expect more rental and related income will be contributed from these newly operated commercial properties in 2017.

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

The table below provides an analysis of the rental and related income from investment properties (excluding income from hotel operations) for 2016, 2015 and 2014 and the percentage of leases in GFA by property with lease expiring from 2017 to 2019:

PROJECT	Product	Leasable GFA	Rental & related income RMB'million			Year on year change		Leases expire in % of GFA		
		sq.m.	2016	2015	2014	2016	2015	2017	2018	2019
Shanghai Taipingqiao										
Shanghai Xintiandi	Office/ Retail	54,000	**360**	302	297	**19%**	2%	**14%**	**25%**	**30%**
Xintiandi Style	Retail	26,000	**82**	82	69	**0%**	19%	**38%**	**31%**	**14%**
1 & 2 Corporate Avenue[1]	Office/ Retail	–	**–**	177	253	**–**	(30%)	**–**	**–**	**–**
3 Corporate Avenue[2]	Office/ Retail	87,000	**15**	76	–	**(80%)**	–	**–**	**–**	**–**
Shui On Plaza[3]	Office/ Retail	52,000	**153**	146	126	**5%**	16%	**72%**	**12%**	**13%**
Langham Xintiandi Hotel Retail Portion[4]	Retail	–	**–**	–	14	**–**	–	**–**	**–**	**–**
THE HUB	Office/ Retail	244,000	**269**	186	39	**45%**	377%	**4%**	**9%**	**11%**
Shanghai RHXC[5]	Retail	128,000	**97**	73	65	**33%**	12%	**10%**	**11%**	**29%**
Shanghai KIC[3]	Office/ Retail/ Hotel	240,000	**349**	270	219	**29%**	23%	**16%**	**29%**	**39%**
Hangzhou Xihu Tiandi[4]	Retail	–	**–**	–	8	**–**	–	**–**	**–**	**–**
Wuhan Tiandi	Retail	160,000	**144**	92	74	**57%**	24%	**8%**	**9%**	**21%**
Chongqing Tiandi	Retail	134,000	**49**	40	33	**23%**	21%	**2%**	**8%**	**7%**
Foshan Lingnan Tiandi	Retail	139,000	**120**	95	81	**26%**	17%	**5%**	**5%**	**18%**
TOTAL		1,264,000[4]	1,638	1,539	1,278	6%	20%	13%	15%	21%

1 1 & 2 Corporate Avenue were disposed of on 31 August 2015 and therefore only eight months' rental and related income were reflected in 2015.

2 3 Corporate Avenue was disposed of on 2 February 2016 and therefore only approximately one month's rental and related income was recognised and reflected in 2016.

3 A total GFA of 15,000 sq.m. was occupied as offices by the Group. They are located at Shanghai Shui On Plaza (8,000 sq.m.) and Shanghai KIC (7,000 sq.m.).

4 Shanghai Langham Xintiandi Hotel Retail Portion and Hangzhou Xihu Tiandi were disposed of in 2014 and were excluded from the leasable GFA calculation in this table.

5 Hall of the Moon at Shanghai RHXC with a total GFA of 64,000 sq.m. was newly opened in December 2016 and therefore only approximately one month's rental and related income was recognised and reflected in 2016.

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

PROJECT	Leasable GFA (sq.m.) Office	Retail	Hotel/ Serviced Apartments	Total	Occupancy rate 31 December 2016	31 December 2015	Group's interest
Completed before 2016							
Shanghai Taipingqiao							
Shanghai Xintiandi	4,000	43,000	–	47,000	99%	99%	78.11%
THE HOUSE	–	7,000	–	7,000	100%	N/A	78.11%
Xintiandi Style	–	26,000	–	26,000	99%	99%	77.33%
Shui On Plaza	32,000	28,000	–	60,000	100%	96%	62.49%[1]
THE HUB							
Office Towers 1, 2, 3 and 5	93,000	4,000	–	97,000	95%	80%	78.11%
Mall and Xintiandi[2]	–	147,000	–	147,000	79%	69%	78.11%
Shanghai RHXC							
The Palette 1, 2, 3 and 5	–	45,000	–	45,000	100%	96%	99.00%[3]
Hall of the Stars (Ruihong Tiandi Lot 6)	–	19,000	–	19,000	97%	96%	99.00%
Hall of the Moon (Ruihong Tiandi Lot 3)	–	64,000	–	64,000	61%	N/A	99.00%
Shanghai KIC							
1-3 and 5-12 KIC Plaza	95,000	42,000	–	137,000	89%	94%	86.80%
KIC Village R1 and R2	11,000	11,000	–	22,000	93%	98%	86.80%
KIC Village 12-8	5,000	–	–	5,000	100%	N/A	86.80%
5, 6 and 7 KIC Corporate Avenue	53,000	8,000	–	61,000	94%	74%	99.00%
Wuhan Tiandi							
Wuhan Xintiandi	–	46,000	–	46,000	95%	97%	78.11%
Chongqing Tiandi							
The Riviera I, II & III	–	6,000	–	6,000	98%	88%	99.00%
Chongqing Tiandi (Lot B3/01)	–	49,000	–	49,000	83%	63%	99.00%
2 Corporate Avenue Retail	–	11,000	–	11,000	100%	100%	99.00%
6, 7 and 8 Corporate Avenue Retail	–	68,000	–	68,000	81%	76%	99.00%
Foshan Lingnan Tiandi							
Lingnan Tiandi (Phases 1 and 2)	–	49,000	–	49,000	82%	85%	100.00%
Shui On New Plaza (Lot D retail podium)	–	15,000	–	15,000	2%	2%	100.00%
NOVA	–	73,000	–	73,000	84%	N/A	100.00%
Dalian Tiandi							
Aspen and Maple Towers (Site D22)	42,000	–	–	42,000	77%	79%	48.00%
Acacia and Lynwood Towers (Site D14)	52,000	–	–	52,000	77%	77%	48.00%
Ambow (Training School)	113,000	–	–	113,000	100%	100%	48.00%
IT Tiandi (D10 Retail)	–	41,000	–	41,000	53%	59%	48.00%
SUBTOTAL	500,000	802,000	–	1,302,000			
New completions in 2016							
Shanghai KIC							
Lot 311 Hotel	–	–	22,000	22,000			99.00%
Wuhan Tiandi							
HORIZON (Lots A1/2/3 Retail)	–	114,000	–	114,000			100.00%
Foshan Lingnan Tiandi							
Lot E Metro Corridor	–	2,000	–	2,000			100.00%
SUBTOTAL	–	116,000	22,000	138,000			
As of 31 December 2016 investment properties held by:							
– Subsidiaries of the Group	293,000	877,000	22,000	1,192,000			
– Associated companies	207,000	41,000	–	248,000			
TOTAL LEASABLE GFA AS OF 31 DECEMBER 2016	500,000	918,000	22,000	1,440,000[4]			
TOTAL LEASABLE GFA AS OF 31 DECEMBER 2015	554,000	815,000	–	1,369,000[4]			

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 The Group has 99.0% in The Palette 2, 3 and 5 and 100% interest in The Palette 1.

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

HORIZON at Wuhan Tiandi commenced business in 2016

The table below summarises the carrying value of the remaining investment properties at valuation as of 31 December 2016 together with the change in fair value for 2016:

PROJECT	Leasable GFA	Increase/(decrease) in fair value for 2016	Carrying value as of 31 December 2016	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 & Xintiandi Style	80,000	155	7,325	91,600	2%
Shui On Plaza	52,000	24	3,505	67,400	1%
THE HUB	244,000	4	8,501	34,800	0%
Shanghai RHXC	128,000	510	4,172	32,600	12%
Shanghai KIC	240,000	80	7,162	29,800	1%
Wuhan Tiandi	160,000	430	5,463	34,100	8%
Chongqing Tiandi	134,000	(91)	1,765	13,200	(5%)
Foshan Lingnan Tiandi	139,000	46	4,172	30,000	1%
SUBTOTAL	1,177,000	1,158	42,065	35,700	3%
Assets classified as held for sale at valuation					
SHANGHAI RHXC	16,000	75	476	29,800	16%
Investment properties under development at valuation					
Wuhan Tiandi	71,000	41	1,006	14,200	4%
Chongqing Tiandi	388,000	(98)	1,993	5,100	(5%)
SUBTOTAL	459,000	(57)	2,999	6,500	(2%)
TOTAL OF THE REMAINING INVESTMENT PROPERTIES AT VALUATION	1,652,000	1,176	45,540	27,600	3%

Note:
Hotels 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 and self-use properties) with a total GFA of 1,177,000 sq.m., was RMB42,065 million as of 31 December 2016. Of this sum, RMB1,158 million (representing 3% of the carrying value) arose from increased fair value during 2016, which was mainly contributed by the fair value gain on Hall of the Moon at Shanghai RHXC and HORIZON at Wuhan Tiandi. The properties located in Shanghai, Wuhan, Chongqing and Foshan, respectively contributed 73%, 13%, 4% and 10% of the carrying value.

The carrying value of the investment properties under development at valuation for a total GFA of 459,000 sq.m. was RMB2,999 million as of 31 December 2016.

Except for the above-mentioned investment properties at valuation, the carrying value of the remaining commercial-use landbank was stated at cost of RMB11,556 million.

LANDBANK

A scene of Rui Hong Xin Cheng • The Upper

As of 31 December 2016, the Group's landbank, including the contribution of its Dalian associates, stood at a total GFA of 10.8 million sq.m. (comprising 8.6 million sq.m. of leasable and saleable area, and 2.2 million sq.m. for clubhouses, car parking spaces and other facilities) spread across eight development projects located in the prime areas of five major PRC cities, namely: Shanghai, Wuhan, Chongqing, Foshan and Dalian.

Of the total leasable and saleable GFA of 8.6 million sq.m., the sum of 1.7 million sq.m. was completed, and held for sale and/or investment. Approximately 3.1 million sq.m. was under development, and the remaining 3.8 million sq.m. was held for future development.

RELOCATION OF RHXC AND SHANGHAI TAIPINGQIAO

The relocation of RHXC Lots 10, 1 & 7 is in progress. 99.9%, 98% and 95% of residents in Lot 10, Lot 1 and Lot 7 respectively, have signed relocation agreements as of 31 December 2016. Lots 1 and 7 will be developed into high-end residential apartments and Lot 10 will be developed into a commercial complex with two Grade-A office buildings and a shopping mall. As of 31 December 2016, a total amount of relocation cost of RMB10,445 million had been paid. The estimated outstanding relocation cost of RMB1,826 million is expected to be paid progressively in 2017 and 2018. The relocation of these three sites is planned to be completed from 2017 to 2018.

The relocation of Taipingqiao Lot 118 started in the fourth quarter of 2014 and 100% of residents had signed relocation agreements as of 31 December 2016. As of 31 December 2016, relocation cost of RMB4,800 million had been paid. The estimated outstanding relocation cost of RMB500 million is expected to be paid in 2017. Lot 118 is planned to be developed into a high-end residential apartments. The construction works will be commenced in 2017.

Relocation plans and the timetable for the remaining 416,000 sq.m. and 230,000 sq.m. of GFA located at Shanghai Taipingqiao and RHXC, respectively, have yet to be determined. The relocation plans of these sites are subject to final proposal and agreement terms among relevant parties.

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

PROJECT	Percentage of relocation as of 31 December 2016	Leasable and saleable GFA	Relocation cost paid as of 31 December 2016	Estimated outstanding relocation cost as of 31 December 2016	Actual/ Estimated relocation completion year
		sq.m.	RMB'million	RMB'million	
Site Cleared in 2016					
Taipingqiao Lot 118 (Residential)	100%	80,000	4,800	500	2016
		80,000	4,800	500	
Sites Under Relocation in 2016					
RHXC Lot 10	99.9%	338,000	2,587	343	2017
RHXC Lot 1 (Residential)	98%	110,000	3,924	870	2017
RHXC Lot 7 (Residential)	95%	159,000	3,934	613	2017-2018
		607,000	10,445	1,826	
TOTAL		687,000	15,245	2,326	

Overview of Shanghai Taipingqiao

By way of a cautionary note, the actual completion date and relocation cost of the above-mentioned sites depend 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 of 31 December 2016, including that of its associates, is summarised below:

	Approximate/Estimated leasable and saleable GFA							
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.	%
Completed properties:								
Shanghai Taipingqiao	18,000	36,000	104,000	–	**158,000**	59,000	**217,000**	99.00%[1]
Shanghai RHXC	32,000	–	130,000	16,000	**178,000**	125,000	**303,000**	100.00%[2]
Shanghai KIC	–	164,000	63,000	22,000	**249,000**	149,000	**398,000**	86.80%[3]
THE HUB	–	93,000	170,000	–	**263,000**	72,000	**335,000**	78.11%
Wuhan Tiandi	–	–	160,000	–	**160,000**	167,000	**327,000**	100.00%[4]
Chongqing Tiandi	3,000	11,000	152,000	–	**166,000**	230,000	**396,000**	99.00%
Foshan Lingnan Tiandi	10,000	15,000	159,000	43,000	**227,000**	157,000	**384,000**	100.00%
Dalian Tiandi	69,000	207,000	41,000	–	**317,000**	176,000	**493,000**	48.00%[5]
SUBTOTAL	132,000	526,000	979,000	81,000	1,718,000	1,135,000	2,853,000	
Properties under development:								
Shanghai Taipingqiao	127,000	–	–	–	**127,000**	33,000	**160,000**	99.00%[1]
Shanghai RHXC	371,000	156,000	185,000	–	**712,000**	160,000	**872,000**	99.00%[2]
Wuhan Tiandi	149,000	177,000	71,000	–	**397,000**	94,000	**491,000**	100.00%
Chongqing Tiandi	439,000	277,000	157,000	25,000	**898,000**	307,000	**1,205,000**	99.00%
Foshan Lingnan Tiandi	–	–	7,000	–	**7,000**	–	**7,000**	100.00%
Dalian Tiandi	381,000	206,000	188,000	144,000	**919,000**	292,000	**1,211,000**	48.00%[5]
SUBTOTAL	1,467,000	816,000	608,000	169,000	3,060,000	886,000	3,946,000	
Properties for future development:								
Shanghai Taipingqiao	86,000	174,000	118,000	38,000	**416,000**	44,000	**460,000**	99.00%
Shanghai RHXC	83,000	69,000	78,000	–	**230,000**	2,000	**232,000**	100.00%[2]
Wuhan Tiandi	135,000	166,000	94,000	–	**395,000**	–	**395,000**	100.00%
Chongqing Tiandi	100,000	143,000	160,000	50,000	**453,000**	126,000	**579,000**	99.00%
Foshan Lingnan Tiandi	147,000	450,000	107,000	80,000	**784,000**	2,000	**786,000**	100.00%
Dalian Tiandi[6]	394,000	867,000	262,000	42,000	**1,565,000**	–	**1,565,000**	48.00%[5]
SUBTOTAL	945,000	1,869,000	819,000	210,000	3,843,000	174,000	4,017,000	
TOTAL LANDBANK GFA	2,544,000	3,211,000	2,406,000	460,000	8,621,000	2,195,000	10,816,000	

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 56.7456%, respectively.
2 The Group has a 100.0% effective interest in RHXC Phase 1, Lot 167A and Lot 167B and 99.0% interest in all the remaining lots.
3 The Group has an 86.8% interest in all the remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 99.0%.
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 Dalian Tiandi is expected to have a landbank of 3.3 million in GFA. As of 31 December 2016, approximate 3.0 million sq.m. had been acquired. The remaining GFA of approximate 0.3 million sq.m. is expected to be acquired through public bidding in due course.

FINANCIAL REVIEW

THE HUB glitters at night

The Group's *turnover* for the year 2016 increased by 172% to RMB17,600 million (2015: RMB6,472 million), mainly due to a significant increase in recognised property sales, and a slight increase in rental and related income for the year.

Property sales for the year 2016 increased 256% to RMB15,604 million (2015: RMB4,380 million) as a result of increased property deliveries, especially for the Shanghai, Wuhan and Foshan projects. Property sales of Shanghai, Wuhan and Foshan projects increased to RMB14,074 million during the year (2015: RMB3,006 million), while property sales of the Chongqing project also increased slightly to RMB1,530 million (2015: RMB1,374 million). Total area handed over to buyers reached 684,700 sq.m. (2015: 309,890 sq.m.). Details of the property sales during the year 2016 are shown in the paragraph titled "Property Sales" in the Business Review Section.

Income from property investment increased marginally to RMB1,716 million (2015: RMB1,612 million). Rental and related income from investment properties for the year 2016 increased slightly to RMB1,638 million (2015: RMB1,539 million), mainly due to continued rental growth from the existing completed properties and the progressive commencement of operations at newly completed investment properties including NOVA at Foshan Lingnan Tiandi and HORIZON at Wuhan Tiandi. The increase compensated for the loss of rental income from 1 & 2, 3 Corporate Avenue located at Shanghai Taipingqiao which were sold in August 2015 and February 2016 respectively. Income from hotel operations, comprising contributions from Marco Polo Hotel in Foshan remained stable at RMB78 million for the year (2015: RMB73 million). Details of the business performance of investment properties are in the paragraph titled "Investment Property" in the Business Review Section.

Construction income generated by construction business, decreased to RMB222 million for the year 2016 (2015: RMB424 million).

Gross profit for the year 2016 increased significantly by 250% to RMB5,905 million (2015: RMB1,689 million), while gross profit margin also increased to 34% (2015: 26%). The higher gross profit margin was mainly due to higher margins contributed from property sales in Shanghai and Wuhan which accounted for a portion of 73% of the Group's property sales for the year 2016 (2015: 41%).

Other income increased 33% to RMB580 million (2015: RMB437 million), which comprised interest income and government grants.

Selling and marketing expenses increased by 43% to RMB324 million (2015: RMB227 million) which was in line with the increase in contracted property sales achieved by the Group (excluding sales by associates, other assets disposal and *en-bloc* sales) by 98% to RMB15,872 million (2015: RMB8,036 million).

General and administrative expenses, which comprises staff costs, depreciation charges and advisory costs incurred, decreased marginally by 1% to RMB889 million (2015: RMB899 million).

As a result of the above, *operating profit* jumped by 427% to RMB5,272 million for the year 2016 (2015: RMB1,000 million).

Gain on investment properties disposed of represented gains from the disposal of 3 Corporate Avenue located in Shanghai in 2016 and 1& 2 Corporate Avenue located in Shanghai in 2015 respectively. The gain on investment properties disposed of was lower at RMB476 million, as the fair value gain of 3 Corporate Avenue located in Shanghai was accounted for in 2015.

Increase in fair value of the remaining investment properties decreased 60% to RMB1,176 million (2015: RMB2,970 million), of which RMB1,233 million gain (2015: RMB2,430 million) was contributed by completed investment properties and assets classified as held for sale and RMB57 million loss (2015 gain: RMB540 million) was from investment properties under construction or development. The increase in fair value of the remaining investment properties in 2016 represented a 3% gain compared with value of investment properties as of 31 December 2016. The paragraph titled "Investment Property" in the Business Review Section provides a detailed description of these properties.

Other gains and losses amounted to a gain of RMB495 million (2015: a loss of RMB123 million), of which RMB867 million was in relation to a one-off gain arising from the acquisition of Shanghai Taipingqiao Lot 116 residential project. This gain was partially offset by loss on rental guarantee arrangements arising from previously sold commercial properties in Chongqing Tiandi of RMB227 million (2015: RMB439 million) and the fair value loss on other derivative financial instruments of RMB101 million (2015: RMB126 million).

Share of losses of associates and joint ventures was RMB289 million for the year 2016 (2015: RMB314 million), which was mainly from the Dalian Tiandi development.

Finance costs, inclusive of exchange differences, amounted to RMB2,495 million (2015: RMB2,619 million). Total interest costs decreased to RMB3,547 million (2015: RMB3,579 million). Of these interest costs, 56% (2015: 61%) or RMB1,982 million (2015: RMB2,185 million) was capitalised as cost of property development, the remaining 44% (2015: 39%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes was accounted for as expenses. For the year 2016, the percentage of capitalised interest of the Group's borrowings decreased, and the expense ratio increased as compared with the corresponding period, resulting in the increased finance costs reported. This is due to three investment properties (i.e. NOVA at Foshan Lingnan Tiandi, HORIZON at Wuhan Tiandi and Hall of the Moon at Shanghai RHXC) were completed and accordingly, interest costs ceased to be capitalized upon completion. Exchange loss of RMB895 million (2015: RMB1,156 million) was recorded as a result of the depreciation of the RMB against the HKD and the USD during the year 2016.

Profit before taxation increased 13% to RMB4,635 million (2015: RMB4,088 million). The increase in profit before taxation is primarily due to more properties delivered and other factors mentioned above.

Taxation increased 23% to RMB2,859 million (2015: RMB2,321 million). The effective tax rate for the year 2016 was 40.3% (2015: 51.6%). PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profits during the year. Land appreciation tax was levied at progressing rates ranging from 30 percent to 60 percent on the appreciation value, being the proceeds of properties sales less deductible expenditure including costs of land, development and construction. The decrease in effective tax rate resulted from the decrease in exchange loss and interests expenses from offshore borrowings that were not deductible in the PRC.

Profit for the year was RMB1,776 million (2015: RMB1,767 million).

Profit attributable to shareholders of the Company for the year 2016 was RMB1,088 million, an increase of 38% compared to the corresponding period (2015: RMB788 million). This is due to lesser profits attributable to convertible perpetual securities owners and non-controlling interest shareholders of subsidiaries.

Core earnings of the Group are as follows:

	2016 RMB'million	2015 RMB'million	Change %
Profit attributable to shareholders of the Company	1,088	788	38%
Net increase in fair value of the remaining investment properties	(1,176)	(2,970)	
Effect of corresponding deferred tax charges	294	743	
Cumulative realised fair value gains of investment properties*	1,556	2,944	
Gain arose from acquisition of subsidiaries	(867)	–	
Realised gain arose from acquisition of subsidiaries	337	–	
Share of results of associates			
Fair value losses of investment properties	151	75	
Effect of corresponding deferred tax charges	(38)	(19)	
	257	773	(67%)
Non-controlling interests	4	311	
Net effect of changes in the valuation of investment properties	261	1,084	(76%)
Profit attributable to shareholders of the Company before revaluation of the remaining investment properties	1,349	1,872	
Add:			
Profit attributable to owners of convertible perpetual securities	–	174	(100%)
Profit attributable to owners of convertible perpetual capital securities	112	61	84%
Profit attributable to owners of perpetual capital securities	337	316	7%
Core earnings of the Group	1,798	2,423	(26%)

* Cumulative realised fair value gains of investment properties for the year 2016 are mainly related to completion of the sales of Shanghai Taipingqiao 3 Corporate Avenue while in the compared period were mainly related to Shanghai Taipingqiao 1 & 2 Corporate Avenue.

Earnings per share was RMB0.14, which was calculated based on a weighted average of approximately 8,002 million shares in issue during the year 2016 (2015: RMB0.10, 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 20% 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.

The Board has resolved to recommend the payment of a 2016 final dividend of HKD0.039 per share (2015: HKD0.028 per share) with scrip option.

MAJOR ACQUISITION AND DISPOSAL

1 In December 2015, the Group entered into an agreement to dispose of 100% equity interest in Infoshore and the related shareholders' loans for an aggregate cash consideration of approximately RMB5,759 million. Infoshore indirectly held 3 Corporate Avenue located in Shanghai Taipingqiao project. The transaction has been completed in February 2016. For details, please refer to the circular issued by the Company dated 31 December 2015.

2 In December 2015, the Group entered an agreement for the buyback of 60.14% equity interest and the related debt interests in Portspin Limited ("Portspin") held by Trophy Property GP Limited, as general partner of and on behalf of Trophy Property Development L.P. and its subsidiaries by two installments: the initial installment in relation to 18.04% of the equity interest and related debt interests in Portspin for a cash consideration of USD156 million settled in January 2016 and the final installment in relation to 42.1% of the equity interest and related debt interests in Portspin for a cash consideration of USD407 million to be settled in December 2017. Portspin indirectly owns a residential property (Lot 116) located in Shanghai Taipingqiao project. For details, please refer to the circular issued by the Company dated 29 January 2016.

3 In April 2016, the Group entered an agreement to dispose its entire equity interest in Foshan Yuan Kang Property Development Co. Ltd. ("Foshan Yuan Kang Property") for an aggregate consideration of RMB1,842 million. Foshan Yuan Kang Property owns several pieces of land in Foshan with a total saleable gross floor area of 231,500 sq.m.. The disposal was completed on 24 June 2016.

4 In May 2016, the Group entered into an agreement to dispose 2 office buildings in Wuhan, namely A1 and A3 for an aggregate consideration of RMB3,365 million and RMB1,134 million respectively. For details, please refer to the circular issued by the Company dated 23 June 2016.

5 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 Wuhan which is located in East Lake Ring, Wuhan, the PRC. The Group's investment in the Joint Venture is approximately RMB1,410 million for the purpose of funding the land acquisition. Details are set out in the Company's announcement dated 24 January 2017.

6 In January 2017, the Group entered into a sales and purchase agreement to sell a hotel in Lot 3 at Shanghai RHXC Project. The consideration is RMB500 million and the transaction is expected to be completed in the first half of 2017.

LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

The structure of the Group's borrowings as of 31 December 2016 is summarised below:

	Total (in RMB equivalent) RMB'million	Due within one year RMB'million	Due in more than one year but not exceeding two years RMB'million	Due in more than two years but not exceeding five years RMB'million	Due in more than five years RMB'million
Bank borrowings – RMB	25,503	3,396	5,357	12,130	4,620
Bank borrowings – HKD	2,592	2,592	–	–	–
Bank borrowings – USD	1,716	446	510	760	–
Senior notes – RMB	2,554	2,554	–	–	–
Senior notes – USD	14,758	3,469	4,393	6,896	–
TOTAL	47,123	12,457	10,260	19,786	4,620

Total cash and bank deposits amounted to RMB15,567 million as of 31 December 2016 (31 December 2015: RMB10,614 million), which included RMB4,479 million (31 December 2015: RMB2,989 million) of deposits pledged to banks and RMB1,435 million (31 December 2015: RMB4,281 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2016, the Group's net debt balance was RMB31,556 million (31 December 2015: RMB37,378 million) and its total equity was RMB46,256 million (31 December 2015: RMB46,118 million). The Group's net gearing ratio was 68% as of 31 December 2016 (31 December 2015: 81%), calculated on the basis of the excess of the sum of senior notes, bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

During the year 2016, the Group refinanced several borrowings from HKD/USD to RMB. As of 31 December 2016, HKD/USD borrowings including senior notes amounted to approximately RMB19,066 million in equivalent, which is around 40% of the total borrowings (31 December 2015: 46%).

Total undrawn banking facilities available to the Group amounted to approximately RMB6,631 million as of 31 December 2016 (31 December 2015: RMB6,256 million).

PLEDGED ASSETS

As of 31 December 2016, 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 RMB60,274 million (31 December 2015: RMB65,821 million) to secure the Group's borrowings of RMB27,272 million (31 December 2015: RMB26,717 million).

CAPITAL AND OTHER DEVELOPMENT RELATED COMMITMENTS

As of 31 December 2016, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB8,960 million (31 December 2015: RMB13,368 million).

CASH FLOW MANAGEMENT AND LIQUIDITY RISK

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

Wuhan Tiandi has become the leading high-end urban complex in Wuhan

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 are also denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the senior notes issued in 2014 do 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 2016. 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 2016, the Group has entered approximately USD952 million forward to hedge the USD currency risk against RMB. In addition, from 1 January 2017 till today, the Group has further entered USD300 million forward to hedge the USD currency risk against RMB. The forward rate of USD against RMB is between 1 USD to 6.7210 to 7.2730 RMB.

The Group's exposure to interest rate risk results from fluctuations in interest rates. Most of the Group's bank and other borrowings consist of variable rate debt obligations with original maturities ranging from two to six years for project construction loans, and two to fifteen 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.

In addition, the Group entered into a cross currency swap amounting to RMB2,500 million, which was due on 26 February 2017. Under this swap, the Group would receive interest at a fixed rate of 6.875% per annum and RMB2,500 million at maturity and pay interest semi-annually at a fixed rate from 5.840% to 5.975% per annum, and USD408 million at maturity.

Save for disclosed above, as of 31 December 2016, 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

Night view of Chongqing Tiandi

Rising nationalism and the current wave of anti-establishment sentiment sweeping across the western world are creating heightened uncertainty for 2017. Terrorism and refugee issues will continue to haunt the global economy, while the difficult task of Brexit continues to damage unity within the European Union. A series of elections in the Eurozone may also upset the status quo, as changes in political leadership can undermine investor confidence. Geopolitical tension in North Korea and the South China Sea may flare up under the Trump administration, which could adversely alter the trade and investment outlook for Asia.

China succeeded in stabilising GDP growth at 6.7% in 2016 while making some progress in reducing excess capacity through the government's supply side restructuring initiatives. The economy is now entering a crucial political transition period as five out of seven current positions in the Politburo Standing Committee, the top decision-making body of the country, are up for replacement at the 19th Party Congress towards end of the year. In its January 2017 World Economic Outlook, the IMF adjusted its China growth forecast to be in line with the government's 6.5% target. However, in view of external economic headwinds and rising corporate debts, the central government appears willing to tolerate a slower growth pace, while placing a greater policy emphasis on growth quality this year.

Exchange rate volatility is a key challenge facing the Chinese economy, and the RMB is expected to come under pressure in view of the Federal Reserve Board's monetary tightening as the US economy continues to strengthen. China's foreign-exchange reserves stabilized at around USD3 trillion in early 2017, as the government moved to tighten its grip on capital outflow to deter speculative attacks on the RMB and steer an orderly adjustment of the exchange rate. It is expected that the PBOC will continue to manage the RMB value to maintain stability with reference to the CFETS basket of currencies.

China's housing market experienced a spectacular year in 2016. The total sales area of residential housing reached 13.75 billion square metres, while the total sales value reached RMB9.91 billion, both of which were historical highs, and represented an annual increase of 22.4% and 36.1%, respectively. Given the central government's new policy guidance to curb asset bubbles and prevent the build up of financial sector risks, we expect a slowdown in property transactions this year, led by Tier 1 and 2 cities.

In the office sector, the demand for agile workplaces continues to gain popularity, and there are now over 350 co-working spaces in Shanghai. This market is entering a new phase whereby operators provide not only working space and shared facilities, but also a social platform for their tenants. Such changes have been driven by the arrival of the Millennials, who prefer flexible work schedules and a shared workplace environment. Commercial retail market demand has remained strong, underpinned by an expanding middle-class consumer, which drove national retail sales growth of 10.4% to RMB33.2 trillion in 2016. However, the focus of growth has gradually shifted towards online sales, marked by a much faster growth pace of 26.2%.

Shanghai's GDP growth reached 6.8% in 2016, and the government has set a 6.5% growth target for 2017. The government intends to add 50,000 affordable housing units this year to maintain adequate residential supply, and aims to speed up innovation and technology development to maintain a robust pace of economic growth. Policies have been put in place to establish Shanghai as an innovation centre with global influence, and developing the Zhangjiang Comprehensive National Science Centre into a world-class innovation hub is a priority.

Wuhan achieved 7.8% GDP growth in 2016, with high-tech industries and the services sector contributing as new economic drivers. The municipal government has pushed through various reforms to align its economic structure with the new digital economy. Economic growth has been helped by a strong housing market, and beginning in September 2016 the government introduced home purchase restrictions to stabilise house prices. The State Council recently approved the establishment of Hubei Free Trade Zone (FTZ) in Wuhan's Optics Valley. Wuhan was also named one of China's National Central Cities, which will further enhance the city's leading role in central China and help to advance the city's economic development.

Chongqing maintained its position as a top economic performer with GDP growth of 10.7% in 2016. The municipality has made steady progress in supply-side restructuring and state-owned enterprise reform. Per 13th Five Year Plan, high-tech and financial services industries will play a bigger role and are projected to account for 25% and 11% of total industry output by 2020, respectively. Chongqing has also made good progress towards reducing its housing inventory, which should help the market grow steadily under a healthy supply-demand balance this year.

Foshan's economy achieved 8.3% growth in 2016 amid industrial transformation and economic restructuring. Per the recently announced Foshan Urban Master Plan (2011-2020), the city will build nine subway lines to connect with Guangzhou and establish a one-hour metropolitan circle between the two cities. Foshan has made a strong move to ease its residence registration system and introduce a talent recruitment program. The goal is to raise the city's population to 9.1 million by 2020, up from 7.4 million in 2015.

Dalian's GDP recovered steadily throughout 2016 and charted a 6.5% growth for the year. The government aims to leverage its financial services sector growth to become a regional financial centre serving Northeast Asia. The city is an important destination for foreign investment, attracting USD2.26 billion in FDI during the first three quarters of 2016. Residential sales volume and average prices both increased during 2016, and the outlook remains stable this year.

Looking ahead, US-China relations, currency volatility, credit growth and SOE reforms are key issues affecting economic growth in 2017. With China's monetary policy switching to a tightening bias it will be a challenging year for the residential property sector. To cope with a slowdown in market transactions and an uncertain operational environment, developers need to be vigilant and act to reduce financing costs and improve cash flows. We will closely monitor changes in global and domestic market conditions and provide scenario analysis to help make any necessary adaptations in line with evolving market developments.

HUBINDAO provides unique lifestyle experience

CORPORATE GOVERNANCE REPORT

High-quality developments add value to the communities

The board of directors of the Company (the "Board") is pleased to present the Corporate Governance Report for the year ended 31 December 2016.

The Company is committed to enhancing its corporate governance practices and to pursue the right balance between conformance and performance in its corporate governance. The Company reviews its corporate governance practices from time to time to ensure it complies with all the applicable code provisions (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and aligns with its latest developments. The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholders' value, and stakeholders' confidence in the Company.

Good corporate governance practices have enabled the Company to leverage its competitive advantages from many perspectives. The trust and support from the Company's stakeholders drive our continuing success and growth. The Company has experienced these benefits during its on-shore and off-shore fund raisings, as well as when entering into long term strategic partnership with renowned companies. From an ethical perspective, our integrity has won the trust of the PRC Government, which has in consequence granted us more new opportunities involving large scale metropolitan development projects.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Board has reviewed the corporate governance practices of the Company along with the adoption and improvement of various procedures and documentation, which are detailed in this report. During the year ended 31 December 2016, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. The Board has reserved for its decision or consideration matters concerning principally the Company's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointments or re-appointments, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the daily operations and administration of the Company to the management. The respective functions of the Board and the management of the Company are published on the Company's website and will be reviewed from time to time as appropriate. In addition, the Board has established respective Board committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Finance Committee, and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. In addition, a written procedure has been established to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

The Board had the full support of the senior management of the Company in discharging its responsibilities during the year ended 31 December 2016.

BOARD COMPOSITION

As a commitment to good corporate governance, the Company's Articles of Association stipulates that, subject to the provisions contained therein, the Board shall include a majority of Independent Non-executive Directors ("INEDs").

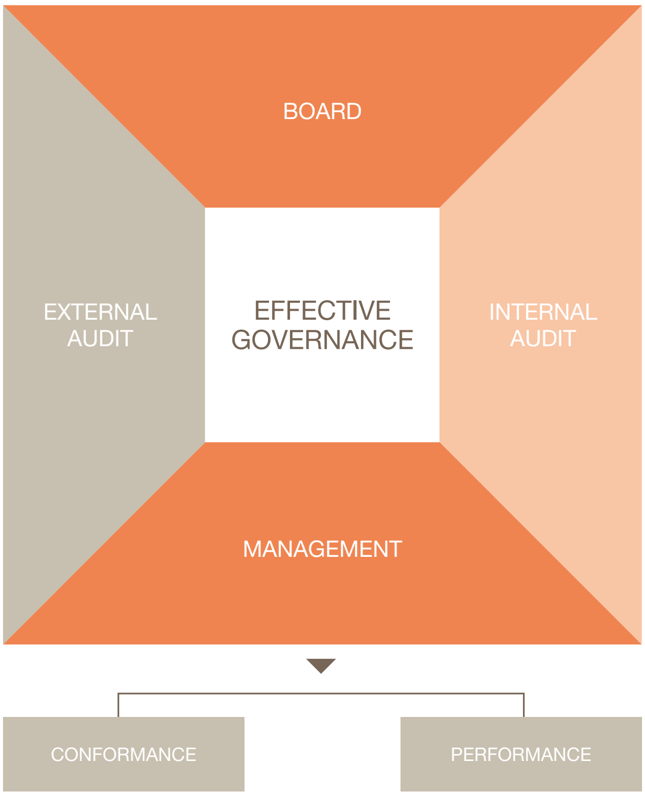
On 1 January 2016, Mr. Anthony J. L. NIGHTINGALE was appointed as an Independent Non-executive Director and a member of the Finance Committee of the Company.

On 4 January 2016, Mr. Douglas H. H. SUNG was appointed as an Executive Director, the Chief Financial Officer and a member of the Finance Committee of the Company and Mr. Frankie Y. L. WONG, an Executive Director of the Company, resigned as the Acting Chief Financial Officer of the Company on the same day.

On 1 January 2017, Mr. Frankie Y. L. WONG was re-designated from an Executive Director of the Company to a Non-executive Director. Mr. WONG remains as the Vice Chairman of the Finance Committee and the Investment Sub-Committee of the Company respectively.

Apart from the above, as at the date of this report, there was no change in the composition of the Board and the majority of the members of the Board were INEDs.

The Board is currently made up of nine members in total, with two Executive Directors, one Non-executive Director and six INEDs. The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision-making.



THE COMPANY PURSUES A RIGHT BALANCE BETWEEN CONFORMANCE AND PERFORMANCE IN ITS CORPORATE GOVERNANCE.

During the year ended 31 December 2016 and as at the date of this report, the Board comprises the following Directors:

Executive Directors
Mr. Vincent H. S. LO (Chairman of the Board, member of the Remuneration Committee, Chairman of the Nomination Committee and Chairman of the Finance Committee)
Mr. Douglas H. H. SUNG (Appointed on 4 January 2016) (Chief Financial Officer and member of the Finance Committee)
Non-executive Director
Mr. Frankie Y. L. WONG (Re-designated on 1 January 2017) (Vice Chairman of the Finance Committee)
INEDs
Sir John R. H. BOND (Member of each of the Nomination Committee and the Finance Committee)
Dr. William K. L. FUNG (Chairman of the Remuneration Committee and member of the Finance Committee)
Professor Gary C. BIDDLE (Chairman of the Audit Committee, and member of each of the Remuneration Committee, the Nomination Committee and the Finance Committee)
Dr. Roger L. McCARTHY (Member of the Audit Committee)
Mr. David J. SHAW (Member of the Audit Committee)
Mr. Anthony J. L. NIGHTINGALE (Appointed on 1 January 2016) (Member of the Finance Committee)

The list of current Directors and a description of their roles and functions were published on the websites of the Company and the Stock Exchange.

Brief biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" section on pages 102 to 107.

Currently, the Company has six INEDs representing more than half of the Board members. The number of INEDs who have appropriate professional qualifications or accounting or related financial management expertise exceeds the requirement as stipulated under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. None of the Directors has any relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors.

The existing Directors, including the INEDs, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board to ensure its efficient and effective functioning. INEDs are invited to serve on the Board committees of the Company. Their active participation in the Board and Board committee meetings brings independent judgment on issues relating to the Company's strategies, performance and management processes, considering the interests of shareholders of the Company. Site visits to the Company's projects are arranged from time to time to allow members of the Board to keep abreast of project developments.

BOARD DIVERSITY

With a view to enhancing the Board's effectiveness and corporate governance, the Company understands that increasing diversity at the Board level is essential to maintaining a competitive edge in the evolving market environment. The Board recognises that it should include a balanced composition of Executive Directors and INEDs so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Foshan Lingnan Tiandi brings brand new lifestyle to the area and becomes a popular destination among travellers domestic and abroad

The Company adopted the Board Diversity Policy with measurable objectives in March 2013. The Nomination Committee evaluates the balance and blend of skills, experience and diversity of perspectives of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to age, cultural and educational background, professional and industry experience, skills, knowledge, ethnicity and other qualities essential to the Company's business, as well as the merit and contribution that the selected candidates will bring to the Board.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are governed by the Company's Articles of Association, a copy of which has been published on the Company's website for public inspection. The Board, with the recommendation of the Nomination Committee, is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of INEDs.

Non-executive Directors, including INEDs, of the Company are subject to retirement by rotation at least once every three years and the re-election of Directors is pursuant to the Company's Articles of Association, the Listing Rules and any other applicable laws.

All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; and every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years. As such, no Director has a term of appointment longer than three years.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

The Company's Articles of Association also allows a qualified shareholder to propose a person, other than a retiring Director of the Company or a person recommended by the Directors, for election as a Director of the Company. The detailed requirements and procedure for such action have been published on the Company's website.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed Director has received a comprehensive, formal and tailored induction on the first occasion of his appointment to ensure that he has an appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually updated on legal and regulatory developments, as well as business and market changes, in order to facilitate the discharge of their responsibilities. During the year ended 31 December 2016, the Directors attended two training sessions organised by an external professional firm and the Company respectively.

In addition, individual Directors participated in forums and workshops organised by external professional consultants for continuous professional development. All Directors have provided the Company with their training records for the year ended 31 December 2016.

BOARD AND BOARD COMMITTEES MEETINGS AND SHAREHOLDERS' MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The Company held an annual general meeting and five regular Board meetings during the year. The Company has also set a schedule for its regular Board meetings and Board committee meetings in 2017 in observance of the CG Code.

The attendance records of each Director at the Board meetings and shareholders' meetings in 2016 are set out below:

Name of Directors	Attendance/ Number of Board meetings held during tenure	Attendance of the annual general meeting held on 20 May 2016
Executive Directors		
Mr. Vincent H. S. LO	5/5	✓
Mr. Douglas H. H. SUNG	5/5	✓
Non-executive Director		
Mr. Frankie Y. L. WONG	5/5	✓
Independent Non-executive Directors		
Sir John R. H. BOND	4/5	✓
Dr. William K. L. FUNG	5/5	
Professor Gary C. BIDDLE	5/5	
Dr. Roger L. McCARTHY	5/5	✓
Mr. David J. SHAW	5/5	✓
Mr. Anthony J. L. NIGHTINGALE	4/5	

PRACTICE AND CONDUCT OF MEETINGS

All Directors are given an opportunity to include matters in the agenda for regular Board meetings. Annual meeting schedules and the draft agenda of each meeting are made available to Directors in advance. Board and Board committee meetings are scheduled at least one year in advance to facilitate the maximum attendance of Directors.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board committee meetings, reasonable notice is generally given. Board papers together with appropriate, complete and reliable information are sent to all Directors at least three days or such other period as specified in the terms of reference of the relevant Board committees before each Board committee meeting to keep the Directors abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and, when necessary, other Board and Board committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board and Board committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction that involves a conflict of interest for a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The interested Directors shall abstain from voting and shall not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive of the Company are separated and currently performed by Mr. Vincent H.S. LO ("Mr. LO") and the Executive Committee of the Company (the "EXCOM") respectively. Mr. LO, who is the Chairman of the Company and one of the members of the EXCOM, takes an active role in steering the business and leverages his experience to guide the EXCOM at a strategic level and promote the Company's sustainable growth. The reformed EXCOM, after the reorganised management of the Group, collectively takes the key management role of the Company on executive decisions and takes up the functional duties of Chief Executive Officer. The division of responsibilities of Chairman and Chief Executive Officer is clearly established and set out in writing.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

To comply with code provision A.6.4 of the CG Code, the Company has established and adopted a Code for Securities Transactions by Relevant Employees (as defined by the Listing Rules), on terms no less exacting than the Model Code, to regulate dealings in the securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities because of their offices or employment.

No incident of non-compliance with the Model Code by the Directors and the Code for Securities Transactions by Relevant Employees was noted by the Company during the year ended 31 December 2016.

BOARD COMMITTEES

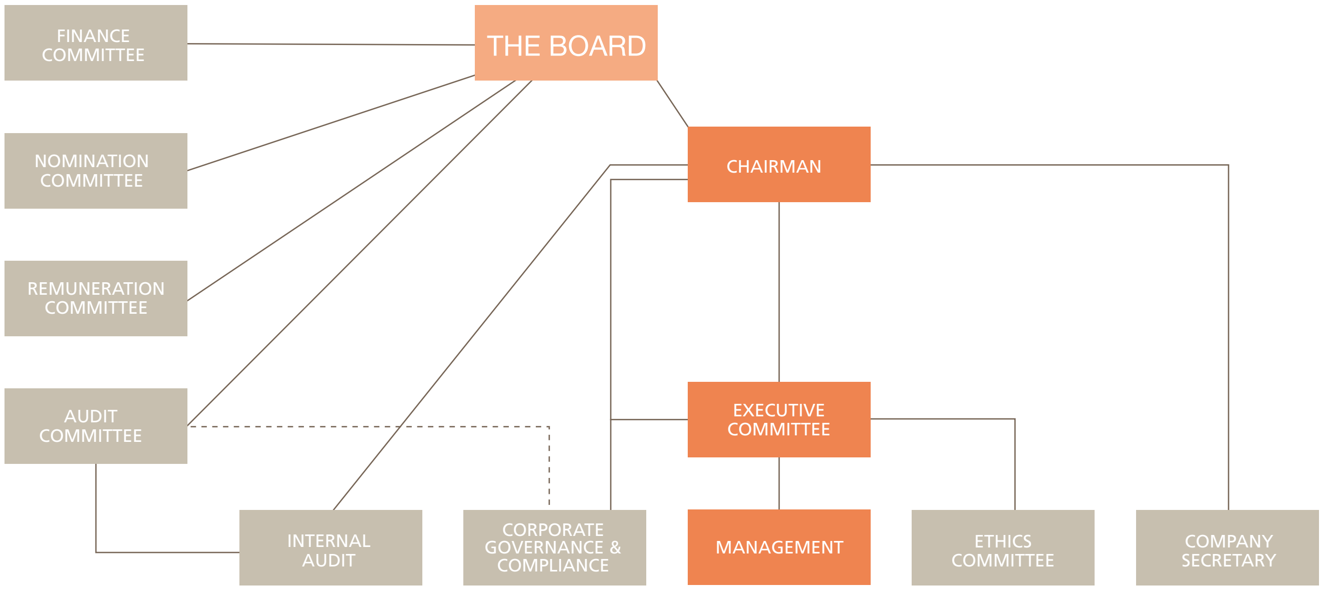
During the year ended 31 December 2016, the Board had four Board committees, namely, the Remuneration Committee, the Audit Committee, the Nomination Committee and the Finance Committee, for overseeing particular aspects of the Company's affairs.

The four Board committees of the Company are established with defined written terms of reference and approved by the Board, which set out the Board committees' respective duties. The terms of reference of the Board committees have been reviewed from time to time to cope with the latest amendments of the Listing Rules and needs of the Company.

The majority of the members of each Board committee are INEDs. The list of the Chairman and members of each Board committee is set out in the "Corporate Information" section on page 224.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

SHUI ON LAND CORPORATE GOVERNANCE ORGANISATION FOR THE YEAR ENDED 31 DECEMBER 2016



REMUNERATION COMMITTEE

The Remuneration Committee currently consists of three members, namely Dr. William K. L. FUNG (Chairman of Remuneration Committee), Mr. Vincent H. S. LO and Professor Gary C. BIDDLE. A majority of the members of the Remuneration Committee are INEDs.

The primary functions of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy, evaluate its performance and make recommendations, if any, on the remuneration packages and compensation of the Directors and senior management, and to evaluate and make recommendations on employee benefit arrangements.

The Human Resources Department is responsible for collecting and administering human resources data and making recommendations to the Remuneration Committee for its consideration. The Remuneration Committee shall consult the Board about these recommendations on remuneration policy, structure and packages.

The Remuneration Committee is responsible for reviewing the remuneration policy and structure and determining the annual remuneration packages of the Executive Directors and the senior management and other related matters.

The terms of reference of the Remuneration Committee are published and available on the websites of the Company and the Stock Exchange.

During the year, the Remuneration Committee had reviewed the remuneration policy and structure of the Company; the current remuneration package of the Executive Directors and senior management in consideration of their duties, responsibilities and market conditions as well as the incentive plans for the employees of the Group by way of written resolutions.

AUDIT COMMITTEE

The Audit Committee currently consists of three members, namely Professor Gary C. BIDDLE (Chairman of the Audit Committee), Dr. Roger L. McCARTHY and Mr. David J. SHAW. All members of the Audit Committee are INEDs. None of the members of the Audit Committee have any relationships with the Company's existing external auditor.

The main duties of the Audit Committee include the following:

- To review the Company's financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditor before submission to the Board.
- To review and monitor the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the external auditor.
- To review the adequacy and effectiveness of the Company's financial controls, internal control and risk management systems and associated procedures.

- To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.

The terms of reference of the Audit Committee are published and available on the websites of the Company and the Stock Exchange.

The Audit Committee held two meetings during the year ended 31 December 2016 (with attendance rate of 100%). The Audit Committee also held separate meetings with the external auditor and the internal auditor during the year to discuss pertinent issues of the Company without the Executive Directors being present.

During the year ended 31 December 2016 and up to the date of this report, the Audit Committee had reviewed the Group's interim results for the six months ended 30 June 2016 and annual results for the years ended 31 December 2015 and 2016, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditor. No material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern had been found.

The Audit Committee had also reviewed the auditor's remuneration and made recommendation to the Board on the re-appointment of auditor. The Audit Committee has the same view as the Board regarding the selection, appointment, resignation or dismissal of external auditors.

In addition, the Audit Committee had reviewed the risk assessment conducted by the internal auditor in the Audit Committee meetings and made summary reports to the Board. It also uses a self-assessment checklist to review and enhance the performance of the Audit Committee on a semi-annual basis. Periodically, the members of the Audit Committee visit the Company's projects to keep abreast of their development. The Audit Committee also reviewed the Company's policies and practices on corporate governance; the training and continuous professional development of Directors and senior management; the Company's policies and practices on compliance with legal and regulatory requirement; and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report as stipulated under code provision D.3.1 of the CG Code.

NOMINATION COMMITTEE

The Nomination Committee currently consists of three members, namely Mr. Vincent H. S. LO (Chairman of Nomination Committee), Sir John R. H. BOND and Professor Gary C. BIDDLE. The majority of members of the Nomination Committee are INEDs.

The primary functions of the Nomination Committee are to review the structure, size and composition of the Board and the Board Diversity Policy, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs and make recommendations to the Board on the appointment, re-appointment of Directors and succession planning for Directors.

The terms of reference of the Nomination Committee are published and available on the websites of the Company and the Stock Exchange.

The Nomination Committee held one meeting during the year ended 31 December 2016 (with attendance rate of 100%). The Nomination Committee had reviewed the independence of INEDs; the structure, size and composition of the Board with reference to the Board Diversity Policy to complement the Company's corporate strategy.

FINANCE COMMITTEE

The Finance Committee currently consists of seven members, namely, Mr. Vincent H. S. LO (Chairman of the Finance Committee), Mr. Frankie Y. L. WONG (Vice Chairman of Finance Committee), Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Mr. Anthony J. L. NIGHTINGALE (appointed on 1 January 2016) and Mr. Douglas H. H. SUNG (appointed on 4 January 2016). The majority of the members of the Finance Committee are INEDs.

The primary functions of the Finance Committee are to stipulate and monitor the financial strategies, policies and guidelines of the Company, review and monitor the Company's financial performance and performance of the Chief Financial Officer. In June 2015, the Board expanded the terms of reference of the Finance Committee to include the functions and duties of an investment committee.

The Finance Committee held two meetings during the year ended 31 December 2016 (with attendance rate of 100%).

During the year ended 31 December 2016, the Finance Committee had reviewed the financial policies and guidelines of the Company; considered and approved the financial strategies and objectives recommended by the Chief Financial Officer; and submitted to the Board a summary of the investment/disposal analysis and recommended to the Board in respect of the related property projects.

RISK ASSESSMENT/MANAGEMENT

STRATEGIC PLANNING

In 2016, the Company has made decisive strategic movement to increase asset churn and to adopt asset-light business strategy and model. The fine-tuned business strategy allows the Company to accelerate capital recycling, capture the business opportunities and create more values for its shareholders.

The Company will keep developing its competitive advantages on innovation and striving for excellence. Strategic action plans were developed, implemented and monitored by relevant executives and management to improve services and to enhance the customer experience to achieve its market-driven and customer-focused business mode of operations. The Company also developed balanced scorecards to measure the alignment of individual performance in attaining these goals and objectives.

RESOURCES PLANNING AND COST CONTROLS

During the year ended 31 December 2016, the Company's focus on resources planning remained fund raising through various means to expedite completion of the maturing projects, as well as to strengthen its capabilities in managing its retail resources to meet future challenges. This was done successfully, enabling the Company to increase its focus on delivering the targets of its business plan.

Management continues to focus on controlling costs in the short and long run, enhancing the Company's cost conscious culture and behaviour, and reviewing and monitoring the Company's expenditures.

ENTERPRISE RISK MANAGEMENT

Risk management efforts are led by the EXCOM members, the project directors and functional department heads through discussion at regular management meetings comprising the EXCOM meetings, Project Board meetings, functional and department meetings to determine the appropriate strategy and management actions to manage the key business risks. The management also presents a risk assessment/ management report at every Audit Committee meeting. The Chief Internal Auditor facilitates this by interviewing relevant management semi-annually to help document major risks faced by the Company and the key management actions taken to manage them. Details about the Group's risk management framework and risk assessment are set out in the Risk Management Report.

INTERNAL CONTROL

During the year ended 31 December 2016, management and internal audit conducted reviews of the effectiveness of the Company's system of internal controls, including those of its subsidiaries and major associates. The Audit Committee reviewed the summary report prepared by the internal auditors on the effectiveness of the Company's system of internal controls and reported its summary results to the Board covering all material controls, including financial, operational and compliance controls and risk management functions. The Board also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

The Company is also in the process of updating its policies and procedures to reflect ongoing organisational changes.

INTERNAL AUDIT

During the year ended 31 December 2016, the Chief Internal Auditor of the Internal Audit Department functionally reported to the Chairman and had full and free access to the Audit Committee. The internal audit charter allows the internal auditors to have unrestricted access to all functions, records, property and personnel, while maintaining appropriate confidentiality in performing their work.

The Internal Audit Department helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the risk management, control and governance processes. Risk assessments are conducted semi-annually by the Internal Audit Department to formulate a risk-based internal audit plan based on interviews and discussion with management and staff for the Audit Committee's approval.

During the year ended 31 December 2016, the Internal Audit Department issued reports to the Chairman and relevant management personal covering various operational and financial processes and projects of the Company. It provides summary reports to the Audit Committee together with the status of the implementation of their recommendations in each Audit Committee meeting.

ETHICAL CORPORATE CULTURE

The Company has established various policies, including its Code of Conduct and Business Ethics, governing business ethics and best practices. The Company emphasises integrity as an important foundation of its corporate culture and a strategic choice, and leverages it as one of its competitive advantages. New staff undergo an introduction to ethics in their orientation and are requested to complete a declaration of their commitment to abide by the Company's Code of Conduct and Business Ethics. In addition, they are required to join an online ethics training session upon completion

INNOSPACE+ creates a novel entrepreneurial community and provides best services for outstanding entrepreneurs

of their probationary period. Selected staff are designated as ethics experts, whose mission is to further enhance the ethical awareness and standards of the Company by providing coaching and training to other staff. Ethics training is developed by the Human Resources Department, and various training sessions were delivered to staff during 2016.

Before the end of each year, all managers and above, together with other selected staff, must complete an on-line declaration of their commitment to abide by the Company's Code of Conduct and Business Ethics in all their business dealings.

ANTI-FRAUD MEASURES

An Irregularities Reporting System (or whistle-blowing system) was introduced for reporting violations of the Company's Code of Conduct and Business Ethics as well as making complaints about integrity-related matters from staff, vendors, customers and/or business partners. Telephone hotlines and special e-mail addresses and mailboxes were set up to enable any such complaints to reach the Chairman of the Audit Committee or the secretary of the Ethics Committee. At each Audit Committee meeting, a summary report of the complaints received and their follow up results are tabled for review.

The Ethics Committee also issued an Irregularity Report Policy. This policy clarifies the Company's treatment and procedures for handling potential violations that have been reported, but at the same time tries to discourage abuse by disgruntled employees or ex-employees.

An incident reporting procedure was formulated to enable the systematic, timely and uniform reporting of incidents such as potential fraud to the Chief Financial Officer by personnel involved in internal control activities related to financial and/or automated information systems.

An Anti-fraud Assessment Framework was used to facilitate the annual assessment of risks or potential fraud on individual projects and departments. The results were examined, and appropriate control measures were established to mitigate those risks. Annual results are summarised and presented to the Audit Committee for review.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The Board is responsible for overseeing the preparation of the financial statements of the Company and reviewing the same to ensure that such financial statements give a true and fair view of the state of affairs of the Company and that relevant statutory requirements and applicable accounting standards are complied with.

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company that is put to the Board for approval.

The statement of the external auditor of the Company about their reporting responsibilities in regard to the financial statements is set out in the "Independent Auditor's Report" on page 121.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2016 is set out as follows:

Services rendered for the Company	(HK$'M)
Audit services:	
Annual audit of the financial statements of the Company and its subsidiaries	7.0
Non-audit services:	
Review of interim report for the six months ended 30 June 2016	1.5
IT Consulting service relating to the CXTD business intelligence platform	1.8
Issue of comfort letters in respect of convertible perpetual capital securities or senior notes of the Company	1.4
Issue of letters of indebtedness statement and working capital statement in respect of the disposal of WH A1&A3 properties	0.7
Tax compliance review and advisory services	2.6
Others	0.9
TOTAL:	**15.9**

ANNUAL REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the Directors and senior management of the Company is determined in accordance with the Company's remuneration policy and structure.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out below:

Annual remuneration by band	Number of individuals
RMB1,000,000 and below	Nil
RMB1,000,001 – RMB2,000,000	3
RMB2,000,001 – RMB3,000,000	2
RMB3,000,001 – RMB4,000,000	5
RMB4,000,001 and above	7

Details of the remuneration of the Directors for the year ended 31 December 2016 are set out in note 10 to the consolidated financial statements.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions. The goal of our communication activities is to provide a true and fair view of the Company. A Shareholders' Communication Policy has been published and is available on the Company's website.

To enhance the transparency of corporate information and comply with the relevant regulatory regime, the Company has been disseminating inside information regarding the monthly sales information in the form of announcements through the electronic publication system of the Stock Exchange as well as the website of the Company since January 2013 for equal, timely and effective access by the public. Announcements regarding the monthly sales updates are prepared based on of internal management records.

In addition, the connected and major transactions are reviewed and assessed by the Board or an independent Board committee as required for such purposes before submission at shareholders' meetings for approval and/or public disclosure (if necessary).

The Company uses various channels and platforms, including its annual and interim results announcements, press conferences and analyst briefings, as well as various industry conferences, to ensure the timely release of important messages.

MAJOR INVESTOR RELATIONS EVENTS IN 2016/2017

2016	Date	Event	City
January	7	BNP Asia Pacific Financials, Property & Logistics Conference	Hong Kong
	8	Barclays Select Series 2016: China Property Corporate Day	Hong Kong
March		2015 Results Roadshow	Hong Kong, Singapore, US and Europe
April	12-13	JP Morgan London Conference	London
	19-20	UBS HK/China Property conference	Hong Kong
	21-22	HSBC 6th Annual Greater China Property Conference	Hong Kong
May	16-17	HSBC China Conference	Shenzhen
June	13	JP Morgan China Conference	Beijing
	23-24	Citi Asia-Pacific Property Conference 2016	Hong Kong
August		1H2016 Results Roadshow	Hong Kong, Singapore
September	12	Mizuho Asia Conference	Tokyo
	14	BAML Global Property Conference	New York
	28-29	JP Morgan Asia China Equity and Fixed Income conference	London
October	27-28	Jefferies 6th Annual Greater China Summit	Hong Kong
November	11	Nomura Asian High Yield Corporate Day 2016	Hong Kong
	16-18	Morgan Stanley Fifteenth Annual Asia Pacific Summit	Singapore
	29-30	UBS Global Real Estate Conference 2016	London
2017	**Date**	**Event**	**City**
January	4	Credit Sussie China Hong Kong Property Corporate Day	Hong Kong
	9-11	UBS Greater China Conference in Shanghai	Shanghai

Information released by the Company to the Stock Exchange is also published on the Company's website, which is regularly updated with corporate developments. Key events regarding financial results, business developments and operations are also announced on a timely basis to investors through the corporate website. With a free subscription, registered shareholders and investors can receive automatic email alerts and press releases on the Company's public announcements. Request forms for site visits and management meetings, as well as contact details of persons on the investor relations team can also be found on the Company's website.

To maintain and improve the visibility of the Company in the financial community, the Company held numerous road shows and participated in investor conferences during the year ended 31 December 2016. The management and the investor relations team met hundreds of investors personally to discuss the Company as well as its development and strategies in conference calls and video meetings.

The general meetings of the Company provide the best opportunity for the exchange of views between the Board and shareholders. The Chairman of the Board as well as Chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Finance Committee or, in their absence, other members of the respective Board committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings. The Chairman of the independent Board committee (if any) is also available to answer questions at any general meeting for approval of a connected transaction or any other transaction that is subject to independent shareholders' approval.

To enhance communication with shareholders at the Company's annual general meeting and extraordinary general meeting, the conducting language has been changed to Cantonese with simultaneous interpretation in English. Most of the Directors were present at the Annual General Meeting held on 20 May 2016. The general meetings provided shareholders with a useful forum to exchange views with the Board.

To further enhance and provide more direct communications with the Company's shareholders, a Networking with Shareholders session was conducted immediately after the Annual General Meeting. During the session, shareholders had the chance to discuss matters directly with the senior management of the Company, have their questions answered and learn about the latest business initiatives and long-term development strategies of the Company. Networking opportunities held by the Company were well attended by the Company's shareholders.

The Company continues to enhance communications and relationships with its investors. Designated members of the senior management of the Company maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development. Enquiries from investors are dealt with in an informative and timely manner.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association.

Poll results are made available by way of an announcement, which is published in accordance with the Listing Rules.

Pursuant to Article No. 66 of the Company's Articles of Association, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right to require an extraordinary general meeting of the Company ("EGM") to be called by the Board by written requisition to the Board or the Company Secretary of the Company. Shareholders should specify the business they wish to discuss at the EGM in the written requisition. Shareholders may put forward proposals at general meetings of the Company in the same manner as set out above.

The Board shall arrange to hold the EGM within two months after deposit of such requisition. If within 21 days of deposit of the written requisition the Board fails to proceed to convene the EGM, the shareholders themselves may do so in the same manner, and all reasonable expenses incurred by the shareholders shall be reimbursed to the shareholders by the Company.

Shareholders may at any time direct their enquiries about the Company to the Board by writing to the Company's place of business in Hong Kong at 34/F, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong, or by email to sol.ir@shuion.com.cn.

Shareholders may also put forward their enquiries to the Board at the general meetings of the Company.

COMPANY SECRETARY

Mr. UY Kim Lun, our Company Secretary, is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with the shareholders and with the management. During the year ended 31 December 2016, Mr. UY had undertaken not less than 15 hours of relevant professional training to update his skills and knowledge.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the year ended 31 December 2016.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but also about promoting and developing an ethical and healthy corporate culture. The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, integrity, accountability, sustainable development and independence. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. We have also experienced the trust of our shareholders, especially our minority shareholders, noting that they and the investment analyst community have lent the Company their full support based on their recognition of our efforts to enhance corporate governance. All views and suggestions from our shareholders to promote transparency are welcome.

KIC – a large-scale Knowledge Community that encompasses knowledge sharing innovation incubating, socialising, recreation and living

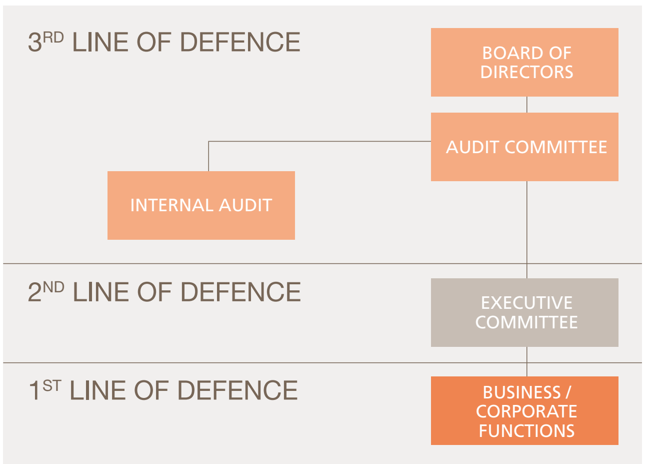
The Company is committed to continual improvement of its risk management and internal control system to ensure long-term sustainability of its business.

The Company established before its IPO and has since continually operated a risk management system under the responsibility of the Audit Committee of the Company. Our approach and methodology in establishing the risk audit mechanism is tailored to the Company's complex business operating in numerous locations throughout the PRC. The Company's internal risk management system exceeds the regulatory requirements and was instituted to enhance the risk management of the Group.

RISK MANAGEMENT FRAMEWORK

The Group's risk management framework comprises the risk governance structure and the risk management process.

(I) RISK GOVERNANCE STRUCTURE



The Board is ultimately responsible for overseeing the Group's risk management and internal control systems and ensures review of their effectiveness at least annually.

The Audit Committee has been delegated the responsibility by the Board to oversee the corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

The Executive Committee of the Company assists the Board and the Audit Committee in overseeing the risk management system on an ongoing basis, ensuring that the risk management culture is fostered and system is implemented effectively in the daily operations and to arbitrate risk management policies that have conflicts between functional divisions.

The Internal Audit Department carries out the role of an independent assessor. It performs analysis and independent appraisals to assess the adequacy and effectiveness of the Company's risk management framework and program. The Internal Audit Department reports to the Executive Committee and the Audit Committee at each regularly scheduled meeting throughout the year, the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls.

The Business/Corporate Functions of the Group assist the Executive Committee in the development and approval of policies to limit the risks consistent with the Company's business model, participate the implementation and monitoring of the risk management program, identify the risks associated with business activities within own Business/Corporate Functions, and impact and vulnerability, manage and conduct risk and control self-assessment to evaluate the effectiveness of controls that are in place to mitigate the risks.

(II) RISK MANAGEMENT PROCESS

The Company has developed a risk management framework and program customized to its business model to manage the business and operational risks of the Company. The key processes used to identify, evaluate and manage the Group's significant risks are as follows:

(a) Risk Identification

Business/Corporate Functions, who directly oversee their respective processes, are responsible for identifying the potential risks of their processes that arise in their daily operations. Policies and processes to manage these operational risks were developed under the direction of the Audit Committee in conjunction with the business units and the internal auditors.

(b) Risk Assessment and Prioritization

Risks are continually evaluated by the Executive Committee and the top risks of the Company are prioritized for the development of risk effect management plans.

(c) Risk Effect Management

The Executive Committee shall review the risks identified and will be responsible for formulating risk effect management plan for the significant risks identified relating to their processes.

There are two types of risk responses in general:

- Acceptance: Risks that are considered immaterial and already adequately managed by current controls and therefore no action is considered necessary.
- Risk Effect Management: Risks that are not considered immaterial with steps taken to manage their effects and reduce the impact and vulnerability to an acceptable level.

The Internal Audit Department shall assess the risk effect management plan and propose such plan to the Executive Committee for their review and approval before implementation.

(d) Risk Monitoring

Monitoring is a key component of the risk management system and ensures that risks are identified and communicated in a timely manner to those responsible for taking corrective action and to the Board as appropriate.

(e) Risk Reporting

Annual risk assessment is conducted to effectively manage the Company risk profile. The Internal Audit Department prepares a risk report at least twice annually for the Audit Committee, which analyzes the overall corporate risk structure and reports to the Board at least twice annually.

Relevant policies and controls have also been long established to ensure that assets are safeguarded against improper use or disposal, relevant regulations are complied with, the financial and accounting records are prepared and maintained per relevant accounting standards and regulatory reporting requirements, and major risks that may impact on the Group's performance are identified and managed appropriately. It should be acknowledged that the risk management framework can only provide reasonable, but not absolute, assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure in achieving the business goals of the Company.

CORPORATE SOCIAL RESPONSIBILITIES

Shanghai Xintiandi was selected 2016 Top 20 Cultural Landmarks All Over the World by Forbes

Shui On Land pursues corporate development in a way that creates a positive impact on social progress and environmental improvement.

CSR MANAGEMENT

CSR PHILOSOPHY AND STRATEGIES

As a mission-driven company that follows the investment and business philosophy of cooperating with government to promote prosperity and community growth, Shui On Land actively listens and responds to the government, environment, society, the public, communities, customers and other stakeholders. It is firmly committed to incorporating the concepts of sustainable development and value co-creation with a global perspective into strategic planning and design, development and construction processes, product and business models and daily operational management. It aims to achieve balanced development of economic, environmental and social values by taking upon itself the duty to develop, with originality, sustainable communities enabling life enrichment of Live-Work-Play in order to contribute to urban renewal and social sustainability.

The Group has built its first urban renewal project, Shanghai Xintiandi in downtown Shanghai, in an artisan spirit and it has become an internationally renowned city landmark. In December 2016, Forbes China elected Shanghai Xintiandi as one of the Top 20 Cultural Landmarks All Over the World in 2016 based on six value dimensions: geographical indication, masterwork, aesthetics of space, operating quality, cultural connotation and brand influence. This is proof of Shui On Land's co-creation of economic and social values following the CSR philosophy.

Sustainable development, community prosperity and talent development have consistently been the three major components of the Group's CSR DNA.

THE GROUP's CSR DNA

1 SUSTAINABLE DEVELOPMENT

RESPECT NATURE, BUILD GREEN COMMUNITIES

Pursue a harmonious unity of the real estate industry with the environment and culture, build sustainable communities, adhere to green planning, green design, green construction and green operation and continuously promote urban sustainable development

2 COMMUNITY PROSPERITY

STRIVE FOR PERFECTION, LEAD THE FUTURE

Create quality living spaces and pleasant and interconnected communities, maintain visionary and innovative thinking, enhance integrated value at the regional level and spearhead the joint efforts of the Company and the community to create prosperity

3 TALENT DEVELOPMENT

PUT PEOPLE FIRST, SHARE RESULTS

Gather together diversified talents, cultivate talent, build innovation platforms, support development of entrepreneurial talents in society and jointly promote career development and social progress

SHUI ON LAND "CSR STRATEGY IMPLEMENTATION AND PROMOTION COLLABORATION MECHANISM"

VISION

To be the premier and most innovative property developer in China

BRAND PROMISE

- Innovation
- Quality
- Excellence

INVESTMENT PHILOSOPHY

- Cooperating with government to promote prosperity
- Growing with the community

THE GROUP's CSR DNA

- Sustainable development
- Community prosperity
- Talent development

SUSTAINABLE DEVELOPMENT COMMITTEE

CORPORATE CULTURE ENHANCEMENT COMMITTEE

- Green Office
- Recreation Club
- Seagull Club

Integrity • Dedication ◀ Shui On Spirit ▶ Innovation • Excellence

CSR IMPLEMENTATION AND ADVANCEMENT

For over 20 years, by deriving inner strength from its corporate vision, brand philosophy and corporate culture, the Group has leveraged its competitive edge in the industry, underlined by strategy-led initiatives, to pursue and promote the incorporation of the CSR concept and the three major components of CSR DNA into its corporate strategy. All of the Group's projects reflect its consistent efforts to honour its corporate social responsibilities, be it Shanghai Taipingqiao as a classic example of urban renewal, China's first Knowledge & Innovation Community (KIC), characterised by the integration and interactive development of three zones (campus, park and community), or THE HUB that centres on a transportation hub.

As early as 2006, the Group established an effective internal collaboration mechanism for sustainable development, supported by the Sustainable Development Committee and the Corporate Culture Enhancement Committee whose work cuts across different departments and projects. Through regular discussion, review and summarisation of important issues in each stage of sustainable development, the Group has integrated the CSR philosophy and strategies into its daily business operations, enabling its CSR strategies and the three major CSR DNA components to take root at all levels of the Group for implementation in each project.

COMMUNICATION AND ENGAGEMENT WITH KEY STAKEHOLDERS

Based on the practical needs of project development and corporate operations, we proactively learn about and respond to our stakeholders' reasonable expectations and demands, continuously expand diversified and up-to-date communication channels and apply mobile internet technology to our stakeholder communication platform, so as to jointly create and share the value of corporate innovation and sustainable development.

Stakeholders	Expectations	Means of communication and response
Government and regulatory authorities	Comply with laws	Compliance management
	Pay taxes according to law	Proactively pay taxes
	Support economic development	Implement national policies
	Promote urban development and regeneration	Provide suggestions for relevant departments in line with the urban development plan
	Carry out cultural preservation and heritage	Plan, develop and operate integrated, human-inspired communities
Shareholders	Enhance profitability	Regularly disclose information on operations
	Strengthen corporate governance	Convene general meetings and regularly issue annual reports together with ESG
	Control risks	Strengthen risk control
Customers	Guarantee product quality	Establish quality management systems, conduct full life-cycle quality control and build intelligence into project development
	Provide quality and diversified management services	Regularly carry out customer satisfaction surveys, provide one-stop property services and set up an internet-based platform for automated service management
Partners	Conduct procurement in a fair, just and open manner	Regularly carry out supplier review and assessment, improve supplier management system and scope and promote green procurement
	Share experience	Organise or participate in industry forums
	Drive industry development	Contribute to the setting of industry standards and take the lead in building green inventories
Employees	Demand protection of salary and benefits	Uphold employees' fundamental interests
	Seek career development and training opportunities	Develop career paths, inspire employee creativity (golden ideas) and provide employee training
	Desire health and safety	Establish the occupational health and safety management system
	Achieve smooth communications	Build multiple communication channels
Environment	Achieve sustainable use of resources and energy	Announced Six Major Goals of Sustainable Development, conduct entire process management of four major eco-friendly aspects, implement the energy-consumption monitoring platform and advocate green office environment
	Tackle climate change	Establish PM2.5 prevention, control and display systems for buildings and lower carbon emissions through property management
Society, the public and the media	Improve the integrated value of communities	Develop total-community development principles, build a sustainable community enabling life enrichment of Live-Work-Play and organise diversified community activities
	Care about community groups	Carry out volunteer services and community activities
	Build platforms for public communications	Publish official news and hold regular media get-togethers and press briefings

SUSTAINABLE DEVELOPMENT

The 5th plenary session of the 18th CPC Central Committee put forward a development philosophy focusing on innovation, coordination, environmental care, openness and sharing. In 2015, unequivocally establishing sustainability as the cornerstone of long-term development of cities and society, the State Council promulgated *Certain Opinions on Further Strengthening the Planning, Construction and Management of Cities* (hereinafter "Certain Opinions"), providing a roadmap to sustainable development for China's 13th Five-year Plan and future urban development and renewal. New goals and requirements were also proposed in terms of improving the real estate industry's planning and design capacity, strengthening green building management, promoting an industry drive towards low-carbon emissions and energy efficiency, and preserving history and cultural heritage.

The principles of community development that the Group has adhered to for over 20 years are in line with the policy orientations set out in the Certain Opinions that in principle no more walled residential communities, should be built and free access to urban parks, should be provided for residents. As early as in 2011, the Group promulgated its Sustainable Development Policy, quantifying our Six Major Goals of Sustainable Development and underlined by a commitment to building open green communities with integrated features and a healthy respect for culture.

10-YEAR PATH FOR SUSTAINABLE DEVELOPMENT

The Sustainable Development Committee, involving staff members in charge of the Group's functional departments, regularly meets to discuss and formulate sustainable development strategies. It is committed to covering all aspects of project development with a green management system focused on planning, design, construction and operation. The Group has taken the lead in setting up green inventories to record the birth and growth performance of each project as well as analyse the effectiveness of sustainability initiatives and technologies, forming a feedback mechanism throughout the full lifecycle of a project, so as to continuously improve the Group's strategy for sustainable development. We also actively drive the adoption of a code of conduct for the supply chain and the property sector while advocating green concepts and attitudes to enable customers to live a healthy lifestyle.

The Group's internal collaboration system to promote sustainable development has matured after a decade of investment and effort. In 2016 new breakthroughs and enhancements were achieved from the development of a system for strategic green data to improving the intelligent project management system, from the full integration of four major aspects of environmental care to promoting concerted efforts between downstream and upstream industry partners and from the optimisation of the monitoring system for energy efficiency and conservation to promoting green supply chain management. These efforts have yielded spectacular results, setting an industry benchmark by reducing the carbon emissions per unit area of the Group's owned properties under normal operating conditions by 25.31% in five years.

The Group will remain committed to sustainable development as an industry forerunner in demonstration of its strong leadership position.

SHUI ON LAND'S 10-YEAR ROADMAP TO SUSTAINABLE DEVELOPMENT

2006	2010	2011	2012	2014	2015	2016
Announced Sustainable Development Policy and set up the Sustainable Development Committee	Initiated systematic management of carbon screening according to ISO14064 and engaged a third party certification body to verify compliance with quantitative targets	Implemented carbon screening in all owned properties under normal operating conditions	Put forward Six Major Goals of Sustainable Development for the Company, spanning five years and covering the whole project cycle from planning, design to construction and operation	Built the energy management platform and implemented visible energy consumption measurement and monitoring	Implemented green inventory management on a trial basis	Reviewed and summarised the Six Major Goals of Sustainable Development

University Avenue at KIC is a typical open block and vibrant street developed by the Group

GREEN PLANNING

During its involvement in mainland China's urbanisation process, the Group supports the government vision for urban development, pursues a development philosophy focusing on health and environmentalism, and affirms the importance of integrating man and nature. The idea is to create an integrated community teeming with life that can meet people's needs for life, work and play while achieving people-oriented sustainability. The Group has also adopted high international standards, undertaking to obtain LEED Neighbourhood Development (LEED-ND) certification for each of its major master-planned projects. As of 2016, Shui On Land ranked first among the developers in mainland China in terms of the amount of building area awarded LEED-Neighbourhood Development Stage 2 Gold level, covering more than 9,300,000 square meters.

Open Block

Building an open block requires each individual plot of land to comply with the master planning approach in order to accommodate the various lifestyle needs of residents. This includes open spaces, public parks and roads accessible to and shareable by the public. An open block does not only facilitate the recreational and communication activities of residents, but can also support the intensive development of land resources, improve the sustainability of urban land and enhance the integrated value of communities and even entire cities.

Since its participation in mainland China's urban renewal, Shui On Land has made open block the core concept of its master planning approach, integrating the three components of master-planned communities, transportation hubs and knowledge communities into city centre developments, so as to build a sustainable community featuring mixed functions, with appropriate plot sizes, denser road networks, transit-oriented transport, vibrant street life and unique public spaces.

KIC, China's first knowledge-based community, was built in Yangpu District, Shanghai, in 2003 and is typical of the open block developed by the Group. KIC features well-laid out resource networks as part of an innovative ecosystem and an ingenious Life of Health and Sustainability (LOHAS) spirit. It has become an important source of knowledge creation and innovation in Shanghai. Focusing on the needs of knowledge workers and entrepreneurs for a healthy, balanced and sustainable lifestyle, the master-planned community brings together residences, R&D and office spaces, business incubators, restaurants, retail shops, sports and leisure facilities, public spaces and dense road networks. KIC Plaza and Corporate Avenue together form the flagship office area, R&D centres, international education institutions and an innovative one-stop platform for start-up incubation. KIC Village is a mixed-use complex providing commercial, F&B and entertainment services and also a base for start-ups, forming a small commercial and residential community with an enclosed layout design. Jiangwan Stadium is designed for sports events, recreational activities and physical exercises. University Avenue, at 700 meters long, connects Fudan University, KIC Village living quarters, KIC Plaza and Corporate Avenue. KIC provides extensive green open space, quality walking facilities and public bicycle parking points to encourage green travel and a healthy lifestyle.

Vibrant Street Life

Vibrant street life is the foundation of an open block. Most internationally famous open communities have one or two iconic streets, showing the features and styles of the whole community and connecting all main parts of the community. A clear positioning of vibrant streets shapes urban design. After completion of construction, street quality and features are enhanced to generate endless energy through investment solicitation, operation, management and phased renovation.

As one of KIC's key components, University Avenue was built in 2006 as a unique commercial street with an innovative entrepreneurial spirit, providing a place for interaction, communication and recreation for entrepreneurs. The community was initially planned to develop a dual two-lane carriageway with outdoor seats reserved along eight metre-wide sidewalks to provide space for gathering and communication. After ten years of development and continuous operation, street-level facilities have been renovated and upgraded for the purposes of improving traffic arrangement, optimising visual impact, increasing outdoor seats, enhancing storefront decorations and lighting effects and developing information infrastructure. We have also rationalised, defined and adjusted the community's commercial dynamics to enhance street quality. In addition, we hold activities themed on innovation, entrepreneurship and LOHAS in public spaces of different sizes to create an open and sustainable community culture. Currently, the communities on the two sides of the University Avenue feature mixed functions with diversified building forms, blending well into the surrounding areas. Along the avenue are more than 70 stores, 60 large enterprises, more than 600 small- and medium-sized companies and nearly 1,000 start-ups, projecting a new and lively image. In 2016, University Avenue was included as a classic case study in *Shanghai Street Design Guidelines* issued by the Shanghai Municipal Bureau of Planning and Land Resources.

Sharing of Open Spaces

Making public plazas and parks accessible to the public for free is also an important requirement of open communities. As of December 2016, the Group had developed or renovated over 272 public streets, public plazas and public parks across eight development projects, making them freely accessible to the general public.

Taipingqiao Park is the largest park with an artificial lake in downtown Shanghai. The Group built the park in 2001 and has been responsible for its management. Since is opening, Taipingqiao Park has remained accessible to the public for free and we have continued to invest in the facility to improve its physical environment, including the artificial lake and perennial vegetation, and provide a public place for exercise and relaxation for office workers and residents. We have also organised major activities such as fashion shows and countdowns, to help develop the park into a famous destination for public cultural activities in Shanghai.

GREEN DESIGN

The Group believes in the importance of green building design to promote urban ecological protection. Taking into account the need for conservation of water, energy, land and materials for environmental protection, we are committed to integrating over 100 sustainability technologies into our projects and products, so as to save environmental resources and improve environmental quality. We also continue to explore opportunities to develop intelligent buildings and strive to provide customers with green, visually pleasing and efficient buildings and spaces that are blended in harmoniously with nature. The results of the Group's green building design have exceeded the industry requirements set out in the *National Urban Ecological Protection and Building Plan (2015-2020)* that green buildings should account for over 50% of all new buildings.

Committed to Sustainability Technologies

Taking into account the principles of sustainability in building design, the Group has adopted five technology systems focusing on creating comfortable indoor environments, utilising renewable energy, developing low-energy building envelopes, fabricating smart homes and low-carbon decorations and creating outdoor environments. It has implemented over 100 sustainability technologies (such as fresh air systems and efficient irrigation technology), with the objective of protecting the environment through conservation of water, energy, land and materials and the reduction of environmental pollution.

SUSTAINABILITY TECHNOLOGIES APPLICATION IN GREEN BUILDING

Devoted to Green Building Certification

The Group attaches importance to LEED and China Green Building Label certification, achieving remarkable green designs for new projects. As of 2016, the Group had obtained LEED certification or pre-certification for 29 newly-built commercial projects and China Green Building certification for 11 newly-built commercial projects and 12 newly-built residential projects.

THE HUB is representative of the Group's development model that revolves around a transport hub. It consists of Xintiandi, offices, a performance centre, a shopping mall and a hotel. The project is designed to showcase a modern example of eco-efficient, low-carbon and human-inspired green commercial architecture. For external walls, we have used a curtain wall system meeting with national standards and for individual buildings, we have adopted a district heating and cooling system, efficient electrical and mechanical systems, a rainwater and grey water recycling system, a total heat recovery system, a solar water heating system and a waste separation and collection system. This saves energy, water, land and materials and protects the environment in the whole lifecycle of buildings. All the buildings in THE HUB have obtained China Green Building Design certification, fully meeting the 2 Star standards of green buildings, with 50% of them reaching 3 Star standards. All of our office buildings have secured LEED pre-certification of the US Green Building Council, making the Group a pioneer in green certification in Hongqiao's low-carbon business district.

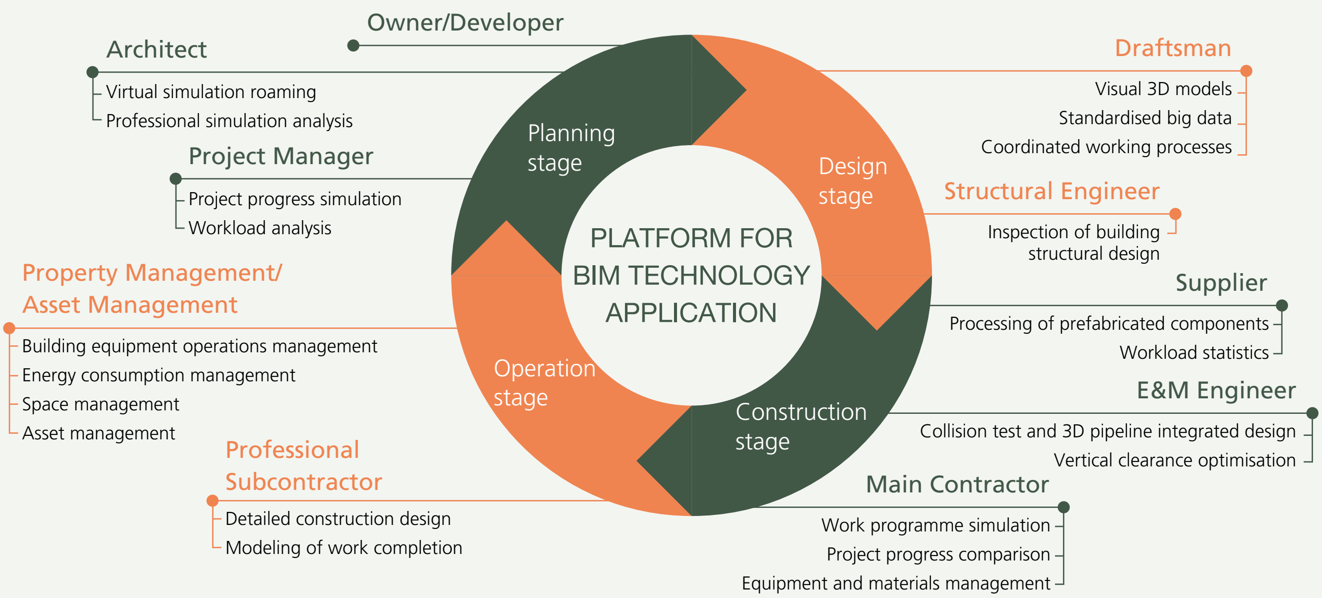
Exploring Intelligent Development

The Group also pays close attention to the growing trend of intelligent building development. It endeavours to develop strong information technology and innovation capability in information application as a leading property developer. In March 2016, as part of the Group's efforts to pursue intelligent development, an ad-hoc study group was set up in the head office and across different departments to look at smart homes for residential products and carry out pilot programmes in some projects.

A concept house was developed in the Wuhan Tiandi project, focusing on four key aspects, including safety and protection, ease of control, health and comfort, energy conservation and environmental protection. Corresponding intelligent systems and terminal products were selected to achieve the integration of smart home features to the greatest possible extent, while reserving ports to facilitate data sharing in the community and public areas. After the concept house was established, information on on-site experience and feedbacks was collected through questionnaires on WeChat. A work report was prepared by the study group to analyse smart home settings applicable to different residential product lines and to demonstrate the practical achievements of the smart home concept house for further promotion and application in the future.

The Group tried to apply BIM technology to the intelligent development and management of commercial projects in order to systematically improve the application of information technology and help enhance business management.

APPLICATION OF BIM TECHNOLOGY TO THE WHOLE LIFECYCLE OF THE PROJECT



GREEN CONSTRUCTION

Shui On Land uses green building materials, recycles building materials and saves resources. With reference to the *Code for Green Construction of Buildings* (GB/T 50905-2014), the Group has established a construction management system with measures to conserve resources and protect the environment as well as the safety and health of construction workers. At the same time, the Group actively works with upstream and downstream partners to promote the management of supply chains to keep up with the highest standard of international design and construction, so as to provide higher-than-expected housing quality for customers.

Regulating the Construction Process

The Group has established a standardised management system for green construction, with the formulation of *Shui On Basic Construction Measures – HSE Chapter (HSE) and Shui On Standard Material and Processing Requirements (GS)* to set out specific requirements for construction sites, foundation and substructure works, main structural works, decoration works, insulation and waterproofing works, electromechanical installations and demolition works, together with the requirements for conserving energy, water, land and materials and protecting the environment. The measures have been implemented in all projects for environmental care and resources conservation. Per third party evaluations, in 2016 Shui On Land saw a marked improvement in overall green construction performance from 2015, with the average value of safety and civility at work going up 6.2% as compared with the same period last year.

Green Construction Management Measures

Green procurement
- All artificial boards, adhesives and water-based paint must have obtained China Environmental Labelling (10 ring) certification or the same level of environmental certification

Wastewater treatment
- Sewage produced in the construction process shall not be discharged into municipal drainage network before second-grade sedimentation
- Waste oil and chemical solvents shall be subject to centralised treatment

Dust pollution prevention
- The construction site must be hardened and landscaped and construction vehicles must be washed clean before leaving the construction site

Noise control
- Reduce hours of night-time construction

Treatment of solid wastes
- Organic waste, inorganic waste, hazardous waste and recyclable waste shall be separated and stored
- Burning of hazardous waste is forbidden in the construction site

Recycling and reuse
- Stipulate that recyclable materials must account for a certain percentage of total material costs
- Solid wastes recycled

Resources conservation
- Power-saving measures adopted
- Foundation pit dewatering measures implemented
- Office consumables recycled

Robust Supply Chain Management

Shui On Land has been working with suppliers to improve its capacity for sustainable development. According to the Group's *Corporate Green Procurement Guidelines*, we have adopted the concept of green procurement by giving priority to the purchase and use of environment-friendly raw materials. The Group has established a comprehensive supplier evaluation management system to subject a new supplier, before confirming its appointment, to a rigorous inspection and assessment of its business performance and plants. Specific requirements are also imposed in respect of construction safety management, on-site environmental protection, use of temporary facilities, staff welfare, child labour and forced labour. In addition, suppliers are subject to continued evaluation through on-site inspections, spot checks on plants and daily assessments.

By 2016, the Group's system had recorded 838 registered mainland Chinese suppliers in active service whose information is continuously updated. During the year, the Group assessed about 100 new suppliers. A total of 98 new suppliers were subsequently included in the Group's supplier list. Our supplier evaluation management system has been updated and refined in regard to the following three areas:

Higher quality objectives set	Three new targets added, namely: the ratio of reported project quality defects addressed in time, first-attempt maintenance success rate and project quality complaint rate
Supplier incentive system optimised	To further improve project quality, the supplier incentive system now fully covers the entire lifecycle of a project from planning and design through construction and delivery to operation and maintenance
Procurement of green materials strengthened	To fully ensure green construction, the GS green and environment- friendly building material standards have been revised to include three more categories (six in total) for 10-ring certification of green building materials

Residential buildings at Wuhan Tiandi possess high building quality, layout of stepped gardens with vertical greening and green roof

Improving Building Quality

Each of Shui On Land's residential and commercial projects is designed and built to the highest international standards, providing higher-than-expected housing quality for customers by choosing the finest building and decoration materials and fully addressing customers' needs in the project conceptualisation and planning stages.

Based on the ISO9001 quality management system, the Group has built a comprehensive quality management system. It is supported by a series of governing standards set out in *Shui On Standard Materials and Workmanship Requirements*, *Shui On Standard Node Point Construction Drawings and Quality Controls and Manual for Product Defect Improvements*. A range of detailed and quantitative quality control measures have also been developed, covering standard drawings, work technology and material requirements. A third-party institution has been engaged to periodically review the work of various departments and work projects. Every year the Group continues to refine the system and rigorously control building quality, with a commitment to providing customers with safe and high-quality products.

Since 2011, Shui On Land has set specific quality management objectives covering different stages of a project from construction to delivery. Every year, work on quality enhancement is carried out to achieve the management objectives, with housing delivery standards jointly developed with Feng Cheng Property Management. Feng Cheng Property Management now conducts, three to six months in advance, meticulous acceptance inspection on all projects scheduled for delivery. The findings are reported to the Project Department, with rectification work confirmed before final delivery. According to the quality assessment by the third-party institution, the Group's project quality showed improvement in 2016 as compared with the preceding year, with the delivery of zero-defect housing units exceeding the pre-set target of 96%.

Housing Quality Control Process

Construction

- Contractors and construction units required to work in accordance with the basic requirements of engineering measures
- Communicating regularly with the contractor on how to improve project quality

Before Delivery

- An indoor air test conducted for each housing unit to ensure compliance with the relevant air quality standards

After Delivery

- Providing a warranty period of three years
- Working with property managers to record all defects found within the warranty period
- Conducting a survey six months after delivery and preparing a survey report. Conducting a statistical analysis of existing defects and coming up with a systematic solution

GREEN OPERATION

Shui On Land is committed to the concepts of green construction, resources conservation, environmental care and putting the customer first. In accordance with MOHURD's *Assessment Standards for Green Building (GB/T50378-2014)*, the Group has enhanced its construction technology, improved its whole process management system for construction and constantly optimised its energy management platform. By steadfastly pursuing carbon emission reduction measures, the Group has been able to maintain its leading position in the industry in terms of green operations.

In 2016, Rui Hong Xin Cheng's Ming Ting (Lot 4) and The View (Lot 6) won recognition as green residential blocks, being the first projects to meet the Two Star Green Building Standard since the evaluation of green buildings began in Shanghai. Determined to meet the Two Star Green Building Standard during the initial design stage, builders of the two residential projects organically applied green building design to project construction and operation by fully considering the need for conserving energy, water, material and land resources and for the management of indoor environments and operations. All four major aspects of green building were integrated to create a green residential community.

The award of the Two Star Green Building Labels reflects the strength of the Group's green management system and its success in honouring its commitment to delivering green communities and healthy lifestyles.

Exploring Energy Management Platform

In 2014, the Group established an energy management platform to monitor and collect various energy data of buildings. Vision-based measurement and monitoring of energy consumption has been conducted, carbon emission data compiled and energy savings at an equipment level diagnosed. Through the standard system for operations management and the energy management platform now in place, all departments concerned have gained a clearer understanding of the situation of energy consumption at the building level, so that causes can be analysed and targeted measures adopted to improve equipment management, energy use and the level of intelligent control in the building. In 2016 the operation of the energy management platform was extended to cover all commercial projects, resulting in enriched display functions, expanded coverage to commercial buildings and integration with supplier management systems. Through efficient green operation and on a continuously and sharply lowering base of energy consumption over the years, the electricity consumption of projects under the management of Feng Cheng Property Management fell 5 million kWh, or 8% and water consumption was down 130,000 tons, or 15%, from 2015 to 2016.

To improve the indoor air quality of each project, we exercise stringent control over PM2.5 levels for the health benefit of users. In cooperation with the Shanghai Research Institute of Building Sciences, the Group in 2015 developed and launched a series of PM2.5 guidelines for projects of different property types. The corresponding construction requirements were revised in March 2016, with the display system for building-level air quality and energy consumption information gradually implemented in office buildings. Through display screens installed in elevators, real-time information on the dynamic comparisons of indoor and outdoor air quality levels is shown together with building power consumption parameters.

Greenhouse Gas Emissions Down 25% in Five Years, Exceeding Target

Five years ago the Group established a clear MBO (Management by Objectives) system in response to the challenge presented by the opening of a number of energy-intensive large office and retail projects every year between 2011 and 2016. The Group was committed to reducing the carbon emissions per unit area of the Group's owned properties under normal operating conditions by 20% from 2011 to 2016. Since 2010, the Group has engaged a third-party certification body to quantify the greenhouse gas emissions generated by the Group's owned properties under normal operating conditions to continuously monitor greenhouse gas emissions. According to third-party certification data, the greenhouse gas emission per sq km of Shui On Land's properties under normal operating conditions in 2016 was 68.01 tonnes, down 25.31% from 2011, for the equivalent effect of planting 1.82 million trees.

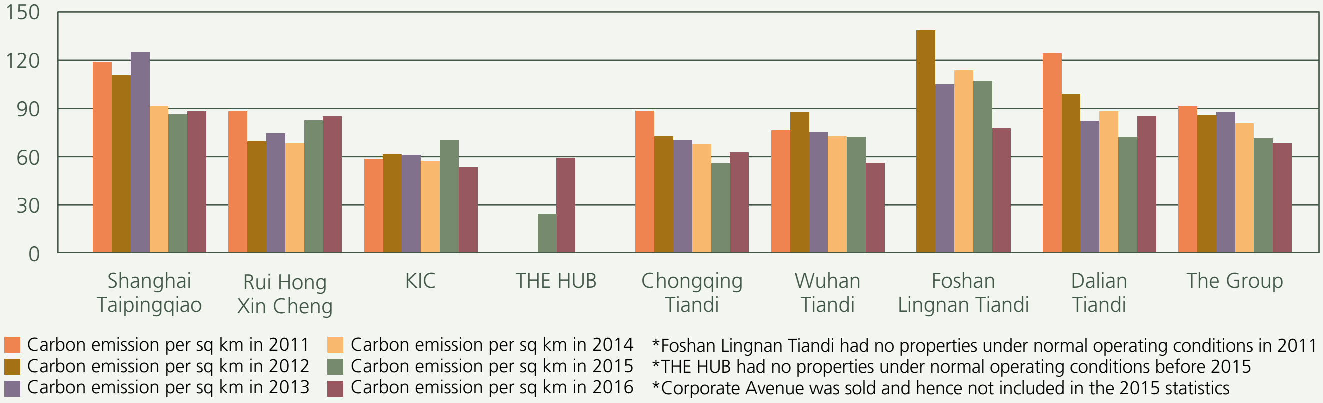
Customer-Oriented, One-Stop Property Services

By adopting the service concept of "Know You Better Than Yourself", the Group has developed a high-standard service platform supported by a customised service management model in order to create a secure, carefree and comfortable living experience by maintaining close interaction with customers.

Feng Cheng Property Management under the Group launched a new property service in 2014 called Bauhinia Distinguished Service. This is a customized one-stop property service package covering basic services, special services and value-added services. It includes pre-sale reception, flat viewing, inspection and acceptance, delivery, move-in, leasing and resale. Feng Cheng Property Management conducts one or two customer satisfaction surveys every year to continuously improve service levels and enhance customer experiences. It also takes good care of customer data and private information in accordance with the requirements of *Regulations on Management of Owner/Tenant Information*.

In 2016, we improved communication efficiency with customers through our 400 Hotline Service and the mobile WeChat service platform, filling a gap in traditional service between contract execution and delivery. At the same time, we continued to broaden the channels for receiving complaints and feedback from customers, with the employment unannounced inspections every month, to move towards centralised and unified control from what used to be a single and decentralised customer feedback system. We also worked to create smart communities by integrating intelligent and personalised services.

TREND CHART OF GREENHOUSE GAS EMISSIONS PER SQ KM OF THE GROUP'S PROPERTIES DURING 2011-2016



COMMUNITY PROSPERITY

In recent years, the concepts of putting people first, respecting nature, environment-friendliness and low-carbon, cultural heritage and harmony and vitality in urban and community development have caught the attention of all levels of government and society and innovation, humanity and ecology have gradually become the key words in urban development.

The Group has fully integrated its strong brand values signifying the pursuit of excellence, rich and diversified functions, innovation capability and respect for local environment and humanity into all aspects of community development and operation. In response to the different needs of target customers, we have departed from a traditional development model oriented towards replication. Rather, we now provide multifunctional, high-quality and differentiated community products and services with a human touch. From a development perspective, we run a community by mobilising internal and external resources to create a vigorous and innovative lifestyle and achieve prosperity and sustainable development for the benefit of community and personal lives. The Group also organises a Volunteer Day, with a view to organising volunteer activities by leveraging the strength of our social connections and building a harmonious community to give back to society.

The Group has developed eight sustainable communities in central Shanghai, Chongqing, Wuhan, Dalian and Foshan. These communities, all in line with local government's goals of economic development, industry upgrading and urban transformation, have contributed to the development of the regions where they are located while enhancing the city's image, making them city landmarks and models for urban renewal.

GREEN COMMUNITY SHOWING RESPECT FOR NATURAL ENVIRONMENT

The Group adheres to the principle of building green and healthy communities by developing green buildings, environment-friendly streets, squares, greenbelts and open spaces. It has also organised a wide variety of public health activities to promote energy conservation and environmental protection, low-carbon lifestyle in transportation and green culture so as to build green communities together with interested parties to enhance the ecological development of cities.

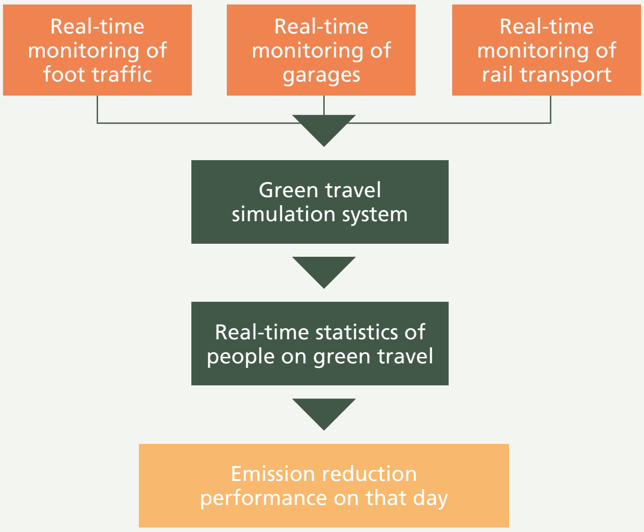
When developing Wuhan Tiandi, a city centre master-planned community in central Hankou, Wuhan, the Group integrated the greenbelt along the bank of the Yangtze River with the community's multi-level landscape and improved the ecological environment of the community. Based on a layout of stepped gardens with vertical greening, Wuhan Tiandi Parkview was built as Wuhan's first garden city development, bringing nature into buildings with a sky runway, floral corridors, urban farms and other public open spaces. In June 2016, in the 15th Annual Best Tall Building Awards organised by the Council on Tall Buildings and Urban Habitat, Wuhan Tiandi Lot A won the Best Tall Buildings Award – City Habitat Award based on five judging criteria, as the only winner in that category among more than 100 nominated buildings around the world. The judges said: "The Wuhan Tiandi Complex has created a rare vivid scene in the new communities and provided a high-quality environment for people living, working and visiting there, so it is comparable to any long-established communities anywhere else in the world."

In 2016, Shanghai pushed forward seven greening and renovation projects, including the KIC developed by the Group in Yangpu District. The Group was the first to start creating an ecological green axis by combining some 19 hectare of residential blocks with the characteristics of the knowledge and innovation zone to create a multi-dimensional and multi-interfaced landscape from the three aspects of space, planting and facilities. With KIC, the open landscape was rationalised, with the greenbelts reorganised to raise the basement level of the road landscape, while flower planters were laid out to enrich the visual experience. A creative touch was added with the help of the facades of public buildings where graffiti mingled with greenery. We also encouraged merchants and residents to participate in daily maintenance and management work, while promoting greener streets through a pilot programme on balcony greening. At the same time, a range of themed promotional activities was held, focusing on the KIC Herbal Garden and a vegan street, to build a distinct neighbourhood.

Knowledge & Innovation Community Garden is the first open block community garden in Shanghai

In Shanghai Xintiandi, the landmark of Shanghai's city centre, the Group conducted a pilot programme to test a system for real-time monitoring and release of information on green travel. By showing on a real-time basis the number of green commuters arriving at Xintiandi on a given day and the level of emission reductions achieved, Shanghai Xintiandi can quantify the actual environmental benefits generated by optimising a location and improving the walking experience. The results can provide a reference point for promoting green culture in urban areas.

SHANGHAI XINTIANDI'S SYSTEM TO MONITOR AND DISPLAY INFORMATION ON GREEN TRAVEL IN REAL TIME



With health, environmentalism, labour and leisure as its theme, the Group has been experimenting and promoting urban farming across its development projects. Urban Farm at Wuhan Tiandi and Chongqing Tiandi were modelled after the Community Ecological Garden concept seen in Europe and America. In 2016, KIC rebuilt over 1,000 square meters of public land into KIC Garden, featuring farming activities and food sharing, so as to revitalise public green areas. KIC Garden allows residents to enjoy the fun of pastoral farming in the city and offers a space for them to communicate, which brings life to otherwise static public green areas and promotes sustainable development in urban resorts. The garden features areas for planting demonstrations, crop rotation, games and other experiences. Vegetable gardens measuring 1 x 1.2 metres are leased to residents on seven-month periods. There are two small ponds on the farm to form a rain garden and composting points are also provided to effectively process agricultural and kitchen wastes from the farm and the neighbourhood, with the fertiliser produced used on the farm, forming an ecological cycle. We have built a farm service centre with four converted shipping containers. Professional instructors have also been engaged to teach basic knowledge of crop cultivation. We also guide children to pick fruits and vegetables and experience the joy of harvest. The garden also hosts a farmers market.

CREATING DYNAMIC AND INNOVATIVE HUMANISTIC COMMUNITIES

Not only do we build multi-functional spaces to meet the needs of Work, Life and Play, but we are also concerned with the diverse needs of arts and culture and the lifestyles of different groups. We continue to bring pleasing, modern and fashionable life experiences to people, blending together the past and the future to create unique modern urban communities.

Humanistic spirit, culture and arts are among the core competencies of urban development. Examples include: Shanghai Xintiandi, which preserved and integrated the centuries-old historic Shikumen with modernity; Wuhan Xintiandi, which seamlessly incorporated new construction with nine old preserved bungalows; Chongqing Xintiandi, which combined various construction styles from Diaojiao buildings in the mountains to different levels of villages, from industrial buildings to the secondary capital period; Foshan Lingnan Tiandi, which retained the Lingnan historical architectural feature of gable walls, the traditional neighbourhood and the skyline. We are good at using our international vision and modern means to pass on local historical contexts and cultural memories, fusing them into modern business philosophies and innovations, so that the unique cultural temperament of these cities becomes timeless and continues to attract visitors to come and feel these cities' humanistic charm. Foshan Lingnan Tiandi Commercial District won the Gold Award of China's Top Ten Commercial Office Projects in the 2016 Real Estate Design China Award.

The Group has always pursued the concept of making arts a part of life and making life a piece of art. We integrate artistic creativity into architecture and seamlessly with life and living. We try to take a more humanistic view and to create better communities for all.

In 2016, The Gallery of Rui Hong Xin Cheng, inspired by the New York Museum of Modern Art and based on the landscape construction concept of The Gallery, infused artistic elements into the architecture. The artistic scenes set up in the inspirational garden and artistic clubhouse include the Masters' Garden, which referenced eight classic pieces from masters, a mosaic trail, tower and villa garden, pruned courtyard, open lawn and green belt and customised artistic sculpture designs. This gave each building and landscape zone the vitality and beauty of the paintings within the living space, enhancing the artistic taste of the residents.

Phase 4 Lakeville Luxe invited designers to build a number of innovative Dream Spaces and establish the Art of Living Museum of Lakeville Luxe with the theme Collector's Homes. The Museum on one hand introduces Luxe, while on the other hand joins forces with masters of different areas of art and boutique designers to share with its customers the concept of good life and create the special atmosphere of the past and the future, prosperity and nature, culture and art for the high-end residential property.

The Horizon, a shopping centre in Wuhan Tiandi that opened on 17 September 2016 is different from other shopping centres with its strengthened sense of experience and art. It prints special fashion guides, organises art exhibitions, music festivals, markets, parties and other activities and is the first one-stop international fashion shopping centre in Wuhan. On 16 December, the Hall of the Moon at Phase 2 of Ruihong Tiandi with the theme life, music and home was opened. It used elements of music in the Moon Music Festival, which customised the background music of the commercial district according to different seasons and time periods. The Lights and Shadows in Shanghai festival saw 11 pieces of art created and completed by famous artists, designers and architects and displayed in the commercial district, which became a new business highlight at the North Bund of Shanghai.

Shanghai Taipingqiao is a community of international and high-end businesses ideal for people who yearn for quality life. Xintiandi closely follows trends in consumption, lifestyle, business, travel and cultural experience, continuously injecting vitality into the modern business model, urban lifestyle and urban cultural tourism experience. In 2016, Xintiandi renovated almost 10,000 square metres shop area, focused on reforming the original 88 Boutique Hotel in the South Lane, introduced creative merchants in businesses covering F&B, retail, culture and art and launched the Creative Engine Room with a new concept of unbounded innovation which combines diversified experiences. Xintiandi has partnered with international fashion organisations in launching international art and cultural projects for more than 100 themed activities held throughout the year. It is committed to building a unique public art space in the centre of Shanghai. Among all these, the 2016 Xintiandi Fringe Festival made full use of

THE HUB held the event of Summer Festival, continuing to bring pleasing, modern and fashionable life experience to people

Ruihong Tiandi – Hall of the Moon is the new commercial highlight at North Bund in Shanghai

Volunteer activity of Shui On Seagull Club

the cafes, museums, restaurants, plazas, atriums and artificial lake platforms and other special features in Xintiandi to hold outdoor multimedia shows, new circus performances, mimes, immersive theatres, creative object plays, coffee shows, street performances and plays with audience participation. The event became a key incubation project in the art festival and exhibition category in the 13th Five-Year Development Plan of the Performing Art Vitality Area surrounding the People's Square and is the first in the country to use both indoor and outdoor spaces of a commercial district to organise this innovative form of art festival and exhibition.

The internet has brought about a new purpose of consumption for the emerging class of entrepreneurial consumers. The focus is now on gaining creative inspiration, buying experience and happiness, developing a lifestyle that values the pleasure of starting a new venture and pursuing work-life balance. To fully meet entrepreneurs' need of integration of work, life and learning, knowledge-based community KIC renovated the historic Jiangwan Stadium to provide a one-stop leisure and fitness platform. University Road emphasises the function of exchange and communication of business premises. More than 20 themed cafes with different characteristics and special start-up stores have opened in the main street district and on the branch roads. Various branch roads of University Road were included in the 2016 upgrading plan. Weide Road, as the first branch road transformed, now connects the University Road Neighbourhood Square and KIC Farm and will be home to retail and DIY shops. A cherry blossom trail will also be built to create a comfortable and pleasant neighbourhood atmosphere. Every year we host 200 to 400 innovative, entrepreneurial and LOHAS events at our INNOSPACE+, KIC Plaza, the University Road Neighbourhood Plaza and other different public spaces, on one hand as a platform for entrepreneurs to exchange ideas and look for partners and on the other hand to bring together different groups in the community to go outdoor and to create a healthy and sustainable LOHAS lifestyle.

HARMONIOUS COMMUNITIES CARING FOR SOCIAL GROUPS

The Group attaches great importance to developing a sense of belonging and identity among different community groups. We encourage all employees to care for the underprivileged. We actively cooperate with social welfare organisations and hold online and offline social service activities with our Volunteer Day to engage in the building of a harmonious community and ultimately contribute to the welfare of the community.

In line with the spirit of working together, helping each other, contributing to society and growing together, the Group's volunteer team, the Shui On Seagull Club, has brought about change through action. They are committed to improve the living conditions of vulnerable groups such as poor children and the disabled through the launching of various projects of public welfare activities helping students and the young. In 2015 the Group announced the administrative requirement to set aside two workdays with paid leave for Volunteer Days. In 2016 Shui On Seagull Club commenced public welfare activities with charitable foundations and network charity platforms in the areas of poverty alleviation and environmental protection. A total of 319 volunteers participated in these activities contributing 948 voluntary service hours and raising over RMB90,000 from employees. In 2016, the Group donated a total of RMB1.2 million.

The white-collar volunteer service Passing on Love held further activities in 2016. In April, we invited children with special needs from East China Normal University Affiliated Luwan Special Experimental School on a field trip to participate in activities held by the Recreational Club on the themes of Love the Earth, Love Nature, Love Company with Green office. Together with Shui On's volunteers, the children planted trees and made green dumplings and sushi with the help of our volunteers to feel the gourmet culture and experience a green life. In May, the Sunny Walk, Healthy Walk activity was held at the Hubindao Shopping Centre in the Huaihai Middle Road Sub-district. A total of 33 teams of white-collar workers from multi-national companies and large state-owned enterprises and units in the Huaihai area joined forces in this healthy walk event, exhibited drawings and handcrafts from the children of East China Normal University Affiliated Luwan Special Experimental School. On Children's Day, volunteers of Wuhan Seagull Club and colleagues of Feng Cheng Property Management Wuhan Branch traveled to Hedian Primary School located at the old revolution base in Dawu County, bringing with them love and presents. They played basketball and table tennis with the children and enjoyed an afternoon of games to celebrate the festival.

Numerous branches of Shui On Seagull Club have launched charity walks or run fundraising activities. On 12 November, Shanghai Seagull Club fielded a dream team in the city's love relay. All registration fees and funds raised were used in designated student support projects. After 15 days of hard work, volunteers in Wuhan raised RMB23,639 from 261 people. The money was used to support the left-behind children at Dawu Hedian Primary School, warming their hearts against the winter chill. The Seagull Club at Foshan Lingnan Tiandi held a one week charity walk fundraising activity in November, with 191 people donating a total of RMB 5516.7 for supporting charity activities such as caring for the elderly, helping the poor and supporting education. At Mid-Autumn Festival, a party was held for the elderly living alone in the community. Gathering young and old residents of the community created a sense of belonging to a happy and harmonious community.

In 2016 six restaurants involved in Shanghai Xintiandi's Christmas market collected the safe and edible ingredients left over from each day, which was then made into delicious charity Re-Pizzas by professional European chefs for sale only on a single day at the charity price of RMB5 each at the market. All proceeds were donated to the Global Food Banking Network, a global non-profit organization dedicated to alleviate hunger. In December the KIC held the Together for Charity, Running at Wujiaochang Youth International Volunteer Day charity cycling event, leading young people to participate in public services and to advocate for a public welfare culture.

TALENT GROWTH

A new round of technological revolution and industrial reform is being born as the urbanisation of China enters a new order and the urban development model changes. The Shanghai Municipal Government implemented a strategy of massive entrepreneurship and innovation by all of the central government, accelerated the implementation of innovation-driven development strategy and promulgated the Opinion on Accelerating the Construction of a Science and Technology Innovation Centre with Global Influence, which aims to stimulate innovation and create vitality for the whole society to reconstruct the momentum of urban development and to construct an innovative city with international influence. To realise these strategic deployments and action plans, we still need to achieve breakthroughs in many key areas, including the construction of a high ground for innovative entrepreneurial talents.

Human resources are our most important asset, and Shui On Land has always focused on innovation and entrepreneurial talent cultivation and sharing. We have developed tailor-made professional training programmes through the establishment of a diversified human resources system, created a safe and pleasant work environment, launched a variety of caring projects and also created all sorts of staff communication channels and other measures, in order to provide employees with an environment in which they may unleash their abilities and grow hand in hand with the Group and to help employees achieve self-actualisation. The Group is a pioneer in this new round of innovation. Together with the government and colleges, we utilised our regional resources and enterprise experience to create an open LOHAS innovative community and business incubator platform providing one-stop service to help future development of small and medium start-up enterprises, the city's innovative transformation and the long-term development of society.

PEOPLE-ORIENTED IN THE PROMOTION OF EMPLOYEE DEVELOPMENT

Protection of Interests and Care of the Health of Employees

The Group strictly abides by the laws and regulations such as the Labour Contract Law of the People's Republic of China, standardises its recruitment activities, enters into labour contracts with all its regular employees in accordance with the law, pays social insurance according to the regulations, protects the personal privacy of employees, resolutely resists the use of child labour and forced labour and builds and develops with full effort harmonious and stable labour relations. Based on the personal attitude, competencies and performance of its employees, the Group offers transfer, appointment, promotion and other opportunities. The salary and benefit management which takes into consideration cost effectiveness and the principal of being just internally and competitive externally provides an effective talent growth policy for recruiting, motivating and retraining talents.

Shui On is concerned about the physical and mental health of its employees. Through creating a safe and comfortable office environment, providing a medical insurance system and organising physical examination and sports activities, the Group perfects its occupational health protection system. The Group continues to identify and remedy potential safety and health risks in the workplace and impose disciplinary measures against any individual breaches through the development of a security system. Starting from 2016, the office PM2.5 index is announced every day. Additional filters have been installed at air-conditioning vents, while the Group also regularly inspects the level of fresh air volume. Air purifiers were also installed in usually crowded areas to solve the problem of indoor air turbidity. The Group also advocates the concepts of green office and healthy living. It encourages employees to reasonably allocate time for exercise by providing internal gyms and facilities, as well as suggesting employees to walk up and down the stairs instead of taking the elevator. The Green Office organises annual Earth Hour activities to promote energy conservation and environmental behaviour.

We advocate and attach importance to enjoying work and life. In 2016, the Recreational Club held activities for our employees which included sports, family picnics, a tree planting day as well as almost 20 lectures on various topics such as health care, gourmet cooking, design and music. The Group together with the Bureau of Cultural Affairs, Huangpu District and the Shanghai Concert Hall jointly organised the Tea with Music in Building activity, which brought elegant music into office buildings combining explanation and performance, so that office workers could have their music appreciation ability enhanced within a vibrant, rich and diversified cultural atmosphere.

According to State regulations, The Group has established an integrated management system for quality, environment and occupational health and safety which has passed third-party professional certification. Feng Cheng Property Management has also obtained OHSAS 18001 occupational health and safety management system certification and is compliant with international standards.

Group policies which ensure that employees enjoy an equal working environment, as well as health and safety, are regulated in the Code of Conduct and Business Ethics of Shui On Land Limited.

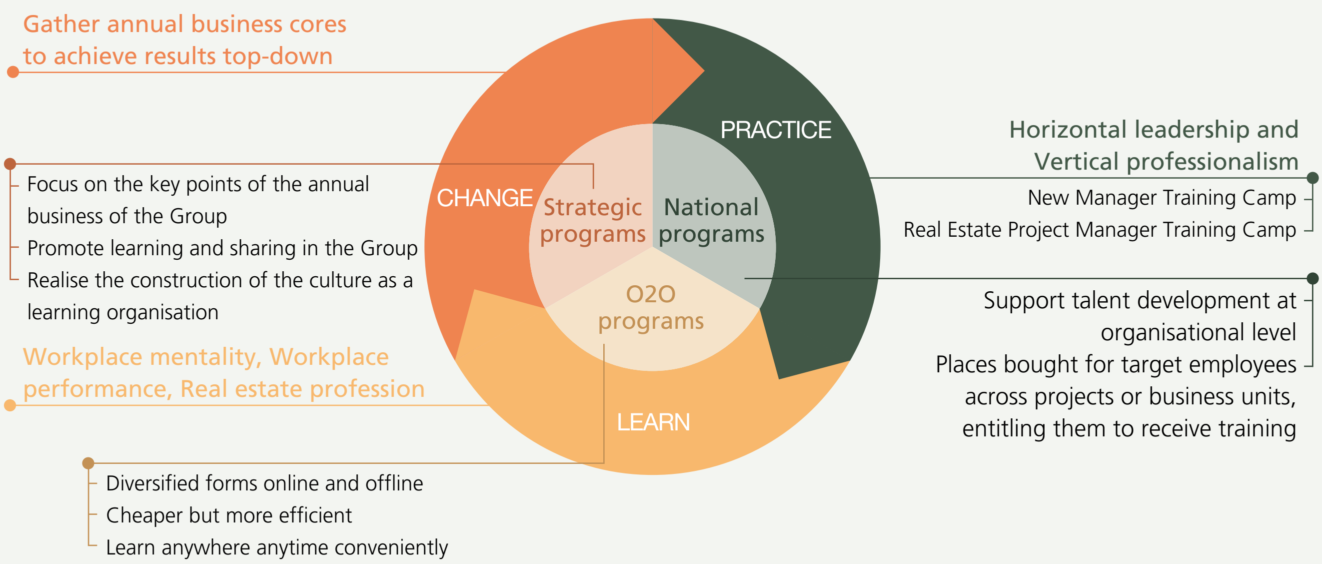
Innovative Talent System Reserve and Diversified Communication

Shui On Land is committed to providing opportunities for the development of employees so that every employee may get the appreciation he or she deserves and be proud of his or her achievements. To this end, we continuously improve and enhance our training system for, and means of, communication with innovative talents to meet the need for the sustainable development of the Group, while giving back to society and cooperating with the future social development. In 2016, the Group held training courses for 3,262 employees and provided a total of 59,912 training hours.

Shui On Land corporate culture promotes bearing responsibilities and undertaking lifelong learning. In order to better align the training with the career development of its employees and to provide innovative learning opportunities, the Group set up the Shui On Academy in 2008 for the planning of training courses on strategic, organizational, group and individual levels in order to build a systematic training platform. The Shui On Academy is concerned with levels of awareness, behavior and performance of employees after the training. It has built up a library of learning resources, continuously evaluated the level of satisfaction to the programmes, examined the effect of the training and continuously developed new training methods and entered into partnerships with world-class business schools, in order to meet the evolving needs for talents of the organization and facilitate the effective implementation of the Individual Development Programme (IDP).

In 2016, a top-down system of training products Change – Practice – Learn was formed. Among the training programmes, the New Manager Training Camp project became the 1+2+3 learning journey on the basis of the original learning modules and now includes transformation of one role, enhancement of two abilities and three phases of learning posts. It has won the Most Valuable Case Award of the 2016 China Learning & Development Value Award awarded by HR Excellence Centre (HREC). The O2O learning programme re-packaged and upgraded the original workplace efficiency programme and commenced 13 thematic learning courses. Real time sharing in its WeChat group has also encouraged active participation of employees and this function was highly appreciated. The level of satisfaction towards Shui On Academy's training programmes reached 99% in 2016.

SYSTEM MAP OF SHUI ON ACADEMY'S TRAINING PRODUCTS



White-collar lunchtime classes on Intangible Cultural Heritages were launched in the office buildings, enabling the white-collars to experience the traditional paper-cut art

The Group has also tailor-made career development programmes for employees with excellent potential, including the Management Trainee Training Programme, set up in 1997, which is a three-year training programme to train fresh graduates for management posts; and the Talent Development Programme, created in 2002, which trains employees with over three years' work experience for major management posts. In 2016, the Group had a total of 27 college graduates participating in the Management Trainee Training Programme and 18 employees completed the Talent Development Programme.

Shui On Land strives to create a good atmosphere in which communication with anyone, at any time and on anything is possible. In order to help the management understand the work environment and actual needs in junior positions and to learn the suggestions and opinions of entry level employees for timely improvement of the management plan of the Group, the Corporate Culture Enhancement Committee (CCEC) held a Management Entry Level Experience Week for three consecutive years. In 2016, a total of 81 managerial staff participated in these activities. The positions for entry level experience included residential sales and property management. Interaction between the management and entry level staff not only serves to promote mutual understanding among employees and strengthen teamwork, but can also enhance mutual trust and work motivation.

The Golden Idea Award Scheme launched by Feng Cheng Property Management of the Group encourages employees to put forward proposals on rationalising energy saving, material saving and departmental cooperation. Golden Ideas are selected and rewarded to raise employees' enthusiasm towards their work, improve performance of the Group and customer satisfaction and promote common development of employees and the Group. As of the end of November 2016, Feng Cheng Property Management had received a total of 84 Gold Ideas, of which 25 suggestions have been confirmed for implementation.

SUPPORTING THE GROWTH OF ENTREPRENEURIAL TALENTS AND SHARING OF THE RESULTS

The Group has long been actively committed to supporting the development and growth of social entrepreneurial talents. In 2016 we continued to promote cooperation with colleges through the Entrepreneurial Innovation Programme to prepare talent for urban transformation and innovative development, while also contributing actively in optimising the operational management and community activities of knowledge-based communities, improving the innovative ecosystem, creating an upgraded version of the business incubator platform and expanding the resources for development for entrepreneurs.

The First College Entrepreneurial Innovation Programme under School-Enterprise Cooperation

Shui On Land integrates the advantages of the enterprise and colleges in the commencement of its school-enterprise cooperation and exchange in order to achieve knowledge sharing and help colleges nurture more talents meeting the actual society needs, forming a benign mechanism of education in which the enterprise and colleges may join forces in the cultivation of talents.

As early as 2011, the Group had already funded the first domestic entrepreneurial innovation programme with rich programme contents widely available for university students co-developed and piloted with the School of Management of Fudan University (hereinafter referred to as the Fudan School of Management). The programme has developed from an elective course to a compulsory subject for every Fudan student. In 2015, part of the Entrepreneurial Innovation Programme was opened to all university students in China through the largest domestic online open class platform, wemooc.edu.cn. The programme is also widely promoted in the lectures of the MBA and EMBA programmes of the Fudan School of Management and has been incorporated into more than 100 individual courses in six professional disciplines of MBA and EMBA programmes, laying the foundation for compulsory courses and allowing students to select their classes according to the system.

The one-stop entrepreneurial community INNOSPACE+ holds DEMO DAY events every year to serve the development of the entrepreneurial talents

In 2016, combining Shanghai's development requirement and strategic objective of building a science and innovation centre with global influence, Shui On Land commenced the Fudan MBA Consultation and Practice Programme called Fudan MBA iLab with Fudan University. With innovation of the modal of business incubator service as the subject, the business incubator InnoSpace was used as a research case to provide a learning platform of management theories and business practices for Fudan's MBA students to enhance the students' integrated competencies and to provide better solutions and ideas for the development of InnoSpace at the same time. The project is a full combination of the practical advantages of the enterprise and the academic power of the university, which uses academic knowledge to guide practice while the practice in turn enriches the theories. It is a further promotion of the organic combination of production, learning and research.

Innovative Ecosystem and INNOSPACE+ One-stop Entrepreneurial Community

The Knowledge and Innovation Community (KIC) built by the Group in Yangpu is an innovative space and platform for entrepreneurs which is able to attract, nurture and retain outstanding talents. The Group has recruited or created a range of institutions and resources including higher education institutions, industry associations and institutions, alumni associations, corporate technology partners, venture capital firms, commercial companies, law firms, business incubators and government service centres and formed a complete innovative ecosystem. Not only have we provided a social network for residents of the community, we have also bred an innovative and sustainable service system for entrepreneurial talents.

Based on the ecosystem of KIC, the Group in 2002 established InnoSpace, the first market-oriented incubator in Shanghai, to provide for entrepreneurial talents, physical space and infrastructure, as well as a one-stop business incubator service platform which includes corporate operation, technical support, financing services, recruitment, marketing and other services under the model of incubation plus investment. In 2015, the Group led the establishment of the RMB40 million InnoSpace Angel Investment Fund to invest in entrepreneurial projects. InnoSpace's international entrepreneurial training camp integrates mentors, investment institutions, partners, media and other resources to provide a three-month start-up acceleration programme for start-up teams in their early stage in the areas of internet and mobile internet to help them complete their initial projects from Stage 0 to 1. A star start-up project will come up from each period of the programme. InnoSpace ranked first in both 2015 and 2016 in the makerspace assessment of the Shanghai Science and Technology Commission and is a state-level makerspace recognised by the Ministry of Science and Technology.

In September 2016, the Group integrated coffee venture IPO Club and incubation accelerator InnoSpace, expanded the joint office space InnoWork, established the new hardware incubator InnoMaker, added the complementary InnoLive, enhanced the hardware facilities and service functions necessary for the development of entrepreneurial talents and launched the one-stop entrepreneurial ecosystem INNOSPACE+. In addition to the 40 to 50 entrepreneurial activities held every month, InnoResource's resources docking and InnoGalley's result presentation are the main features of InnoSpace+. If an entrepreneur wants to discuss cooperation with Intel, IBM or other large companies, they may make an appointment through the InnoApp. INNOSPACE+ has already concluded a cooperation with BMW and announced the joint recruitment of car and mobile travel related start-up ventures to participate in the BMW Innovation Programme. It has also held roadshows under a strategic cooperation with CJ Group of Korea and Korea's first hardware incubator N15 to offer support by providing more quality channels for start-up programmes seeking overseas development. As of the end of 2016, the occupancy rate of INNOSPACE+ has reached 75%, with 40 start-ups and a total of 274 entrepreneurs using it.

2016 KEY PERFORMANCE TABLE

ENVIRONMENTAL PERFORMANCE

	Unit	Total amount	Taipingqiao	Rui Hong Xin Cheng	KIC	THE HUB	Chongqing Tiandi	Wuhan Tiandi	Foshan Lingnan Tiandi	Dalian Tiandi
Emissions [1]										
Total greenhouse gas emissions (Scope 1 and 2)[2]	Tonne(s)	98,534	14,657	7,174	16,621	19,285	7,116	4,104	20,473	9,104
– Direct emissions (Scope 1)[3]	Tonne(s)	6,233	971	853	1,525	47	1,186	599	911	141
– Indirect emissions (Scope 2)[4]	Tonne(s)	92,301	13,686	6,322	15,096	19,238	5,930	3,504	19,563	8,963
Total greenhouse gas emissions per thousand square metres of floor area (Scope 1 and 2)	Tonne(s)/ thousand square metres	68	88	85	53	59	63	56	77	85
Energy Consumption [5]										
Total energy consumption	MWh	103,335	17,304	10,152	25,470	16,469	7,533	6,057	16,149	4,201
Total energy consumption per thousand square metres of floor area	MWh/thousand square metres	71	104	120	81	50	66	83	61	39
Direct energy consumption	MWh	1,079	374	90	45	2	180	90	180	118
– Gasoline	MWh	975	355	90	0	0	146	90	180	115
– Diesel	MWh	104	19	0	45	2	34	0	0	3
Indirect energy consumption	MWh	102,257	16,930	10,062	25,425	16,467	7,353	5,967	15,969	4,084
– Electricity	MWh	88,858	16,930	7,793	18,609	16,467	5,544	3,463	15,969	4,084
– Natural gas	MWh	13,399	0	2,270	6,816	0	1,809	2,504	0	0
Water Consumption										
Total water consumption	Cubic metre(s)	807,545	166,837	63,292	139,306	72,588	50,763	18,213	262,556	33,991
Total water consumption per thousand square metres of floor area	Cubic metre(s)/ thousand square metres	557	1,002	749	445	222	447	248	994	317
Sewage and waste management										
Total displacement	Cubic metre(s)	726,791	150,153	56,962	125,375	65,329	45,687	16,392	236,300	30,592
Non-hazardous waste										
– Construction waste	Tonne(s)	49,000	3,888	2,056	4,020	6,372	7,476	12,178	9,840	3,170
– Household garbage	Tonne(s)	28,829	2,904	3,727	4,204	1,398	2.621	13,175	–	800

Remarks: The Group was not aware of any confirmed violations or complaints related to environmental protection which may have a significant impact on the Group in 2016.

1 Based on the nature of the Group's business, our major emissions are mainly greenhouse gases from electricity and fuel consumption.

2 The data of greenhouse gas emissions are listed as carbon dioxide equivalents and have been verified by a third party.

3 Direct emissions include industrial diesel, lead-free gasoline for vehicles, leakage of chiller and fridge refrigerant/fire extinguisher gas, methane emissions from septic tanks.

4 Indirect emissions include purchase of electricity, natural gas.

5 The energy consumption is calculated based on the consumption of electricity and fuel as well as the conversion coefficients provided in the China Energy Statistical Yearbook 2014 (2015) published by the People's Republic of China.

SOCIAL PERFORMANCE

STAFF EMPLOYMENT

Measure	Workforce (person(s))
Total number of employees	3,309
By gender:	
Male	1,829
Female	1,480
By age:	
Employees aged > 50	374
Employees aged 30 to 50	2,117
Employees aged < 30	818
By employment type:	
Employees employed under labour contract	3191
Employees re-employed after retirement	69
Hong Kong employees (CIIC)	49
Measure	**Employee turnover rate**
Total number of employees	28.79%
By gender:	
Male	28.51%
Female	30.06%
By age:	
Employees aged > 50	26.70%
Employees aged 30 to 50	27.28%
Employees aged < 30	35.54%

Remarks: The subordinate company(ies) of the Group underwent some consolidation, stripping and merger activities for business needs, resulting in a fluctuation in the staff turnover rate in 2016.

HEALTH AND SAFETY

Measure	Unit	Number
Lost days due to work injury	Day(s)	1,067
Number of work-related fatalities.	Person(s)	0
Coverage rate of medical examination of employees	%	91

DEVELOPMENT AND TRAINING

Measure	Percentage of employees trained	Average hours of employee training
By gender		
Male	79%	21
Female	65%	16
By employee category		
General employee	89%	18
Middle management	90%	27
Senior management	76%	17

Remarks:

1. The data in the above table cover Shui On Land, CXTD, Feng Cheng Property Management and Pat Davie.
2. There were no confirmed violations or complaints concerning human rights or labour practices in 2016 which may have a significant impact on the Group.

ANTI-CORRUPTION

1 The Group was not aware of any significant risks associated with bribery in 2016.

2 There were no confirmed incidents of corruption concerning the Group or open court proceedings over corruption charges against the Group/its employees in 2016.

3 There were no confirmed incidents of termination/non-renewal of contracts with partners on grounds of corruption in 2016.

PRODUCT RESPONSIBILITY

	Unit	Year 2016
Third party assessment score of construction quality:	Point(s)	81
Percentage of unit delivered with zero defect:	%	96
Average number of defects per unit:	Count(s)	0.1
Proportion of units requiring repair for water leakage within the 3-year warranty period:	%	8
Proportion of units requiring repair for wall cracks within the 3-year warranty period:	%	2
Overall customer satisfaction of the properties	Point(s)	93.60
Including: Residential customer satisfaction	Point(s)	92.70
Office building customer satisfaction	Point(s)	95.80
Shopping mall customer satisfaction	Point(s)	92.40
Number of active suppliers in Mainland China	Count(s)	838

Remarks:

1. The Group was not aware of any non-conformances concerning health, advertising, labelling and privacy matters which may have a significant impact on the Group in 2016.
2. The Group was not aware of any breach of customer privacy or loss of customer data and had not received any such complaints in 2016.
3. The Group was not aware of any significant negative impact, real or potential, caused by its major suppliers on business ethics, environmental protection, human rights and labour practices or any non-conformance on human rights issues in 2016.

COMMUNITY INVESTMENT

Measure	Unit	Year 2016
Amount of the Group's charitable donations	RMB0,000	120
Amount of employees' charitable donations	RMB0,000	9.5
Number of people served by volunteers	People	319
Volunteer service hours	Hour(s)	948

CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Aspects, General Disclosures and KPIs	Descriptions	Reference and Remarks
Subject Area A. Environmental		
Aspect A1. Emissions		
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to air and greenhouse gas emissions, discharges into waters and land and generation of hazardous and non-hazardous waste.	Sustainable Development
KPI A1.1	Types of emissions and related emissions data	Sustainable Development Key Performance Table
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Sustainable Development Key Performance Table
KPI A1.3	Total volume of hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Not applicable
KPI A1.4	Total volume of non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Key Performance Table Waste intensity not applicable to the Group's businesses and properties
KPI A1.5	Description of measures taken to mitigate emissions and the results achieved	Sustainable Development Key Performance Table
KPI A1.6	Description of the approach to handling hazardous and non-hazardous wastes, initiatives taken to reduce waste generation, and the results achieved	Sustainable Development Key Performance Table
Aspect A2. Use of Resources		
General Disclosure A2	Policy on the efficient use of resources, including energy, water and other raw materials.	Sustainable Development
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (in 1,000 kWh) and intensity (e.g. per unit of production volume, per facility)	Key Performance Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Key Performance Table

Aspects, General Disclosures and KPIs	Descriptions	Reference and Remarks
KPI A2.3	Description of energy efficiency initiatives and the results achieved	Sustainable Development Key Performance Table
KPI A2.4	Description of any problems in sourcing water that is fit for purpose, water efficiency initiatives and the results achieved	Sustainable Development No issue in sourcing water has been encountered by the Group during the year
KPI A2.5	Total volume of packaging material used for finished products per tonne and, if applicable, per unit of production	Not applicable
Aspect A3. The Environment and Natural Resources		
General Disclosure A3	Policy on minimising the issuer's significant impact on the environment and natural resources	Sustainable Development Website – "Corporate Governance (Code of Conduct & Business Ethics)"
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Sustainable Development
Subject Area B. Social Employment and Labour Practices		
Aspect B1. Employment		
General Disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to compensation and dismissal, recruitment and promotion, working hours, leave, equal opportunity, diversity, anti-discrimination and other benefits and welfare	Talent growth Website – "Corporate Governance (Code Of Conduct & Business Ethics)"
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Key Performance Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Key Performance Table
Aspect B2. Health and Safety		
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to providing a safe working environment and protecting employees from occupational hazards	Talent growth Website – "Corporate Governance (Code Of Conduct & Business Ethics)"
KPI B2.1	Number and rate of work-related fatalities	Key Performance Table
KPI B2.2	Lost days due to work injury	Key Performance Table
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Talent growth
Aspect B3. Development and Training		
General Disclosure B3	Policy on improving the knowledge and skills of employees in discharging job duties. Description of training activities	Talent growth
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc)	Key Performance Table
KPI B3.2	Average number of training hours completed per employee by gender and employee category	Key Performance Table
Aspect B4. Labour Standards		
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to the prevention of child and forced labour	Sustainable Development Talent growth
KPI B4.1	Description of measures taken to review employment practices and avoid child and forced labour	–
KPI B4.2	Description of steps taken to eliminate such practices when identified	–
Subject Area B. Social Operating Practices		
Aspect B5. Supply Chain Management		
General Disclosure B5	Policy on managing environmental and social risks of the supply chain	Sustainable Development
KPI B5.1	Number of suppliers by geographical region	Sustainable Development
KPI B5.2	Description of practices related to engaging suppliers, the number of suppliers covered by the practices, and how the practices are implemented and monitored	Sustainable Development
Aspect B6. Product Responsibility		
General Disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to health and safety, advertising, labelling and privacy matters concerning products and services provided and methods of redress	Sustainable Development

Aspects, General Disclosures and KPIs	Descriptions	Reference and Remarks
KPI B6.1	Product recall for safety and health reasons as a percentage of the total number of products sold or delivered	Shui On's major business is real estate development not subject to recall, but it provides up to 3 years' repair and free maintenance for the properties.
KPI B6.2	Number of product and service related complaints received and how they are dealt with	Sustainable Development Key Performance Table
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Not applicable
KPI B6.4	Description of quality assurance process and recall procedures	Sustainable Development
KPI B6.5	Description of consumer data protection and privacy policy, and how the policy is implemented and monitored	Sustainable Development
Aspect B7. Anti-corruption		
General Disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to bribery, extortion, fraud and money laundering	Key Performance Table Website – "Corporate Governance (Code of Conduct & Business Ethics)" Corporate Governance Report
KPI B7.1	Number of concluded legal cases concerning corruption charges brought against the issuer or its employees during the reporting period and the outcomes of the cases	Key Performance Table
KPI B7.2	Description of preventive measures against corruption and whistle-blowing procedures, and how they are implemented and monitored	Website – "Corporate Governance (Code of Conduct & Business Ethics)" Corporate Governance Report
Aspect B8. Community Investment		
General Disclosure B8	Policy on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities reflect the interests of the communities	Community Prosperity
KPI B8.1	Focus areas of contribution (e.g. education, environmental care, labour demand, health, culture, sports)	Community Prosperity
KPI B8.2	Resources (e.g. money or time) invested in the focus area	Community Prosperity Key Performance Table

ABOUT THIS REPORT

This is the 2016 Environmental, Social and Governance Report published by Shui On Land Limited for disclosure of the Group's policies, processes, implementation and performance in corporate social responsibilities in respect of the environment, society and governance to stakeholders and sharing of the innovative initiatives and successes of the three major components of Group's CSR DNA – sustainability, community prosperity and talent growth – in the promotion of the renewal of cities, improvement of the environment and advancement of society. For the first time in 2016, the Environmental, Social and Governance Report is released concurrently with the Annual Report of the Company.

BASIS OF PREPARATION

This Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (2015) published by The Stock Exchange of Hong Kong Ltd.

SCOPE OF THE REPORT

Organisational Scope: Shui On Land Limited is the subject of this chapter, which includes two subsidiaries, namely China Xintiandi Co. Ltd. and Shanghai Feng Cheng Property Management Co., Ltd., while some chapters involve Shui On Construction Co., Ltd. and Pat Davie (China) Limited. For the convenience of expression and reading, Shui On Land Limited is also referred to as "Shui On Land, "the Group", "we" or "us". China Xintiandi Co. Ltd. is referred to as the "CXTD", Shanghai Feng Cheng Property Management Co., Ltd. as "Feng Cheng Property Management", while Shui On Construction Co., Ltd. and Pat Davie (China) Limited are referred to as "Shui On Construction" and "Pat Davie" respectively.

Reporting Period: 1 January 2016 to 31 December 2016.

Report Cycle: This is an annual report.

NOTES ON THE DATA

The sources of information, data and cases in the Report include original records, financial reports, public information and interviews with key departments in actual operation of Shui On Land.

Unless otherwise specified, all amounts involved in the Report are denominated in Renminbi.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

MR. VINCENT H. S. LO, GBS, JP
aged 68, has served as our Chairman since the inception of our Company in February 2004. Mr. Lo leads the Board of Directors in deciding on the Company's direction and to set corporate strategies. Mr. Lo was the Chief Executive Officer of our Company from 2004 to 16 March 2011. He is also the Chairman of the Shui On Group, which he founded in 1971, Chairman of SOCAM Development Limited, a Non-executive Director of Great Eagle Holdings Limited and a Non-executive Director of Hang Seng Bank Limited.

Mr. Lo was awarded the Gold Bauhinia Star (GBS) in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region (HKSAR). He was named Businessman of the Year at the Hong Kong Business Awards in 2001, and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2005. He was honoured with "Ernst & Young China Entrepreneur Of The Year 2009" and also, as "Entrepreneur Of The Year 2009" in the China Real Estate Sector. Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector.

In addition to his business capacity, Mr. Lo has been active in community services. He participated in the preparatory works of the establishment of the Hong Kong Special Administrative Region. He currently serves as a Member of The Twelfth National Committee of Chinese People's Political Consultative Conference, the Chairman of Hong Kong Trade Development Council, the President of Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, the Honorary Life President of the Business and Professionals Federation of Hong Kong, a Vice Chairman of the Chamber of International Commerce Shanghai and the Honorary Court Chairman of The Hong Kong University of Science and Technology.

MR. DOUGLAS H. H. SUNG
aged 50, has been appointed an Executive Director and Chief Financial Officer of the Company since 4 January 2016. He leads the Finance, Legal, Investor Relations and Mergers & Acquisition departments of the Corporate Office. As member of the Executive Committee, Mr. Sung works closely with the other Executive Committee members to enhance the execution capabilities of the Company and explore new business opportunities to grow the Company. He also works with the Board to lead the strategic growth of the Company. Mr. Sung has over 20 years of experience in the Asia real estate industry, ranging from research, capital market, direct investment and fund management. Prior to joining the Company, Mr. Sung was the Managing Director and Head of Real Estate of Verdant Capital Group and the Managing Director and Portfolio Manager of JPMorgan Greater China Property Fund.

Mr. Sung holds a Bachelor of Architecture degree from University of Southern California and a Master in Design Studies (Real Estate Emphasis) degree from Harvard University. He had been a Responsible Officer and Type 4 and Type 9 License Holder of the Securities and Futures Commission of Hong Kong.

NON-EXECUTIVE DIRECTOR:

MR. FRANKIE Y. L. WONG
aged 68, was re-designated as a Non-executive Director of the Company on 1 January 2017. He was an Executive Director of the Company from June 2015 to December 2016 and a Non-executive Director of the Company from August 2011 to June 2015. He was a Director of the Company from May 2004 to May 2006 prior to the listing of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2006. Mr. Wong is currently an Executive Director, the Chief Executive Officer and the Chief Financial Officer of SOCAM Development Limited ("SOCAM") which is listed



From left to right
Mr. Vincent H. S. Lo
Mr. Douglas H. H. Sung
Mr. Frankie Y. L. Wong

on the Stock Exchange. He was a Non-executive Director of SOCAM from September 2011 to August 2014, Vice Chairman of SOCAM from 1997 to 2004 and from April 2010 to August 2011 and the Chief Executive Officer of SOCAM from July 2004 to March 2010. Mr. Frankie Wong joined the Shui On Group in 1981. He is currently an Executive Director of Shui On Holdings Limited. He is also one of the Trustees of the Shui On Provident and Retirement Scheme. Prior to joining the Shui On Group, Mr. Wong had many years of banking experience with several major international banks in Hong Kong. He graduated with a Bachelor of Science degree in Economics and a Master of Arts degree from the London School of Economics and Political Science and The University of Lancaster in the United Kingdom respectively. Mr. Wong is currently a Non-executive Chairman of Walcom Group Limited, a company listed on the Alternative Investment Market of the London Stock Exchange plc. He was a Non-executive Director of Solomon Systech (International) Limited, which is listed on the Stock Exchange, from February 2004 to December 2006, an Independent Non-executive Director of this Company from January 2007 to May 2014 and a director of Sichuan Shuangma Cement Co., Ltd. (四川雙馬水泥股份有限公司), a company listed on the Shenzhen Stock Exchange, from 18 July 2012 to 11 August 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS:

SIR JOHN R. H. BOND

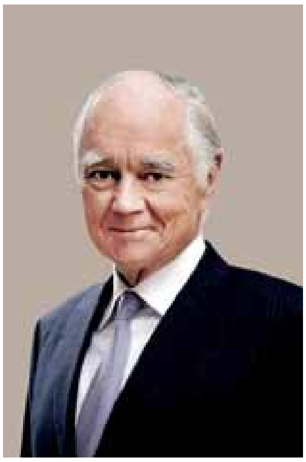
aged 75, has served as an Independent Non-executive Director of our Company since September 2006. He was previously the Group Chairman of HSBC Holdings plc and was with HSBC from 1961 until May 2006. He was the Chairman of Vodafone Group Plc until 26 July 2011, the Chairman of Xstrata plc until May 2013, an Advisory Director of Northern Trust Corporation until 21 April 2015 and a Non-executive Director of A. P. Moller Maersk until April 2016. Sir John Bond is currently a member of the Mayor of Shanghai's International Business Leaders' Advisory Council, a participant in the China Development Forum and a member of the International Advisory Board to the Tsinghua University School of Economics and Management.

DR. WILLIAM K. L. FUNG, SBS, JP

aged 68, has served as an Independent Non-executive Director of our Company since May 2006. Dr. Fung is the Group Chairman of Li & Fung Limited. He has held key positions in major trade associations. He is past Chairman of the Hong Kong General Chamber of Commerce (1994 – 1996), Hong Kong Exporters' Association (1989 – 1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993 – 2002). He has been awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. Dr. Fung graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred Honorary Doctorate degrees of Business Administration by Hong Kong University of Science and Technology and by the Hong Kong Polytechnic University. Dr. Fung is an Independent Non-executive Director of VTech Holdings Limited, Sun Hung Kai Properties Limited, The Hongkong and Shanghai Hotels, Limited and Singapore Airlines Limited. He is also a Non-executive Director of other listed Fung Group companies including Convenience Retail Asia Limited and Trinity Limited, and Chairman and Non-executive director of Global Brands Group Holding Limited.

PROFESSOR GARY C. BIDDLE

aged 65, has served as an Independent Non-executive Director of our Company since May 2006. Professor Biddle is PCCW Professor and Chair of Accounting at University of Hong Kong and lecturer at Columbia Business School, London Business School, and Fudan University. Professor Biddle earned his MBA and PhD degrees at University of Chicago. Previously he served as professor at University of Chicago, University of Washington, Hong Kong University of Science and Technology (HKUST), and as visiting professor at China Europe International Business School (China), University of Glasgow (UK), IMD (Switzerland) and Skolkovo Business School (Russia). In academic leadership, Professor Biddle has served as Dean at University of Hong Kong, and as Academic Dean, Department Head, Council member,




Court member, Senate member and Synergis-Geoffrey Yeh Chair Professor at HKUST. Professionally, Professor Biddle is Board and Executive Council Member of the American Accounting Association, Advisory Board Member of the American Accounting Association International Accounting Section, Council Member and Financial Reporting Standards Committee Member of the Hong Kong Institute of Certified Public Accountants, Financial Reporting Review Panel Member of the Financial Reporting Council of Hong Kong, Accounting Hall of Fame Selection Committee Member, Book Editor of The Accounting Review, Accounting Area Editor for Journal of International Business Studies, and editorial boards of other premier academic journals. He is a member of the American Institute of Certified Public Accountants, Hong Kong Business and Professionals Federation, Hong Kong Institute of Directors (Training Committee), Washington Society of Certified Public Accountants, and he is past President and co-founding Council Member of the Hong Kong Academic Accounting Association. Professor Biddle is expert in financial and management accounting (teaching both), value creation, economic forecasting, corporate governance and performance metrics, including EVA®. Professor Biddle's research appears in leading academic journals and in the financial press including CNN, The Economist and The Wall Street Journal. He ranks among the top 0.4% in career research citations and recent downloads among all social science researchers (Social Science Research Network). Professor Biddle has won 30 teaching honors, including two "Professor of Year" awards from the world's #1-ranked EMBA program (Financial Times). Professor Biddle also proudly serves as Independent Non-Executive Director and Audit Committee Chair of Kingdee International Software, and he chaired the remuneration committee of closely held Chinachem Group.

DR. ROGER L. MCCARTHY

aged 68, has served as an Independent Non-executive Director of our Company since May 2006. Dr. McCarthy is currently the principal of McCarthy Engineering. He was formerly Chairman Emeritus of Exponent, Inc. (NASDAQ symbol "EXPO"). He was also Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou)(毅博科技諮詢(杭州)有限公司), a wholly owned subsidiary of Exponent, Inc., which he founded in 2005 to expand Exponent Inc.'s services to the PRC. Dr. McCarthy holds five academic degrees: an Arts Bachelor (A.B.) in Philosophy and a Bachelor of Science in Mechanical Engineering (B.S.E.M.E.) from the University of Michigan; and an S.M. degree in Mechanical Engineering, the professional degree of Mechanical Engineer (Mech.E.), and a Ph.D. in Mechanical Engineering all from the Massachusetts Institute of Technology ("MIT"). He graduated from the University of Michigan Phi Beta Kappa, summa cum laude, the Outstanding Undergraduate in Mechanical Engineering in 1972. He was a National Science Foundation fellow. In 1992, Dr. McCarthy was appointed by the first President Bush to the President's Commission on the National Medal of Science. Dr. McCarthy is one of approximately 165 US Mechanical Engineers elected to the National Academy of Engineering. He currently serves on MIT's Material Science and Engineering Visiting Committee, External Advisory Board of the Mechanical Engineering Department at the University of Michigan, and the Stanford Materials Science & Engineering Advisory Board. Dr. McCarthy delivered the 2008 commencement address for the University of Michigan's College of Engineering. He is currently a member of the US National Academies Board of Army Science and Technology and the National Academy of Engineering's Finance and Budget Committee.

From left to right
Sir John R. H. Bond
Dr. William K. L. Fung
Professor Gary C. Biddle
Dr. Roger L. McCarthy
Mr. David J. Shaw
Mr. Anthony J. L. Nightingale

MR. DAVID J. SHAW
aged 70, has served as an Independent Non-executive Director of our Company since May 2006. Mr. Shaw acted as the Group Adviser to the Board of HSBC Holdings plc from June 1998 until 30 September 2013 and retired from the HSBC Group in 2015. Mr. Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 until 1998 and during that period spent approximately 20 years working in Hong Kong. Mr. Shaw obtained a law degree from Cambridge University. He is also an Independent Non-executive Director of Kowloon Development Company Limited.

MR. ANTHONY J. L. NIGHTINGALE, CMG, SBS, JP
aged 69, has been appointed as an Independent Non-executive Director of our Company since 1 January 2016. He was the Managing Director of Jardine Matheson Holdings Limited. He is currently a non-executive director of Jardine Matheson Holdings Limited and of other Jardine Group companies, including Jardine Strategic Holdings Limited, Jardine Cycle & Carriage Limited, Dairy Farm International Holdings Limited, Hongkong Land Holdings Limited and Mandarin Oriental International Limited. He is also a non-executive Director of Schindler Holding Limited, Prudential plc and Vitasoy International Holdings Limited.

Mr. Nightingale is a commissioner of PT Astra International Tbk., a director of UK ASEAN Business Council, a Hong Kong representative to the APEC Business Advisory Council (ABAC), chairman of the Hong Kong-APEC Trade Policy Study Group Limited, a non-official member of the Commission on Strategic Development in Hong Kong, a member of the Securities and Futures Commission Committee on Real Estate Investment Trusts, a council member of the Employers' Federation of Hong Kong and chairman of The Sailor Home and Missions to Seamen in Hong Kong. He is the former chairman of the Hong Kong General Chamber of Commerce.

Mr. Nightingale was an independent non-executive director of China Xintiandi Holding Company Limited, a non-wholly owned subsidiary of the Company.

SENIOR MANAGEMENT

MS. STEPHANIE B. Y. LO
aged 34, is an Executive Director of Shui On Management Limited ("SOM") and the Vice Chairman of China Xintiandi ("CXTD"). She is responsible for the development of CXTD's commercial strategy and project positioning. Ms. Lo also plays a bigger role in development strategy for the Company and market positioning for Shui On Land projects and oversees all Human Resources for SOM. She is the daughter of Mr. Vincent H. S. Lo. Ms. Lo joined our Group in August 2012 and has over 13 years of working experience in architecture and interior design as well as other art enterprises. Prior to joining our Group, Ms. Lo was working for various architecture and design firms in New York City, amongst which was Studio Sofield, a firm well-known for its capability in retail design. She holds a Bachelor of Arts degree in architecture from Wellesley College in Massachusetts.

MR. TANG KA WAH
aged 57, is an Executive Director of SOM. He is responsible for managing the corporate procurement, project execution, costing and quality management functions and the management of the business of Shanghai Shui On Construction Co. Ltd. and Pat Davie (China) Limited in the PRC. He joined the Shui On Group in 1985 and has over 31 years of working experience in the construction industry. He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers. Mr. Tang is a chartered engineer. He holds a Bachelor's degree in Engineering from The University of Hong Kong and a Master's degree in Business Administration – E-Commerce from the West Coast Institute of Management & Technology, West Australia.

MS. JESSICA Y. WANG
aged 42, is the Managing Director of CXTD and an Executive Director of SOM. Ms. Wang is responsible for the overall management of CXTD business as well as management of the Shanghai portfolio (except KIC project). She is also responsible for Residential Sales & Marketing and Customer Management, Business Development, Branding and Corporate Affairs and Development Research functions of SOM. She also leads the Shanghai Taipingqiao project, Hongqiao Tiandi project and Rui Hong Xin Cheng Project. Ms. Wang joined the Group in August 1997 and has over 22 years of working experience in the property development industry in PRC. Prior to joining the Group, Ms. Wang was engaged in sales & marketing in one of the well-known real estate company. Ms. Wang received a Bachelor of Engineering degree in Shanghai University of Technology. Ms. Wang has completed the courses of Executive Master of Business Administration of Real Estate (EMBA) jointly organized by Shanghai Fudan University and Hong Kong University and the China New Entrepreneur Development Program in Center for Sustainable Development and Global Competitiveness in Stanford University. Ms. Wang is a member of the Standing Committee of People's Congress of Hong Kou District, Shanghai, Chairman of Hong Kou District Association of Enterprises with Foreign Investment, Director of Shanghai Federation of Industry & Commerce Real Estate Chamber of Commerce, Vice Chairman of Hong Kou District non-Party Intellectuals Association, Chairman of Hong Kou District Overseas Returned Entrepreneurs Association, Director of Hong Kou District Overseas Chinese Friendship Association and a member of Hong Kou District Youth Entrepreneurs Association.

MR. MATTHEW Q. GUO
aged 42, is currently an Executive Director of SOM and the Managing Director of Feng Cheng Property Management. Mr. Guo is responsible for the Project & Quality Monitoring, Development Planning and Design, Administrative Services/ Process & Information Management functions of SOM and all aspects of the property management of Feng Cheng. Mr. Guo joined the Group in 1997 and he has over 20 years of working experience in the property development industry in the PRC. Mr. Guo was the Project Director of the Wuhan Tiandi project and was also involved in other projects of the Group including Shanghai Xintiandi, Taipingqiao Park, The Lakeville Phase I and the Yangpu Knowledge and Innovation Community project in Shanghai. Mr. Guo holds a Bachelor's degree in urban planning from the Tongji University.

MR. ALLAN B. ZHANG
aged 38, is an Executive Director of SOM and the Chief Operating Officer of CXTD. Mr. Zhang is responsible for the management of business operations of CXTD, including strategic planning, operation and asset management of commercial property. He takes the lead on the Knowledge and Innovation Community ("KIC") project and the management of commercial projects in Wuhan, Chongqing and Foshan. He is also responsible for the development of the knowledge community product line and other strategic business models. Mr. Zhang joined the Group in 2004 and has over 13 years of working experience in the property development industry in PRC. He was involved in various mixed-use city center communities such as Rui Hong Xin Cheng project, Wuhan project, and KIC project. Mr. Zhang has rich experience in property development in multiple cities in mainland China, of which Wuhan Tiandi is now the landmark in Wuhan after ten years' development, and KIC has been the City-Industry integration and vibrant industrial ecosystem community in Shanghai. Mr. Zhang holds a Bachelor degree and a Master degree in Engineering from Tongji University.

MR. ALBERT K. B. CHAN
aged 57, is the Director of Development Planning and Design. Mr. Chan joined Shui On in 1997, and has over 30 years of experience in planning, design and real estate development. Mr. Chan manages the conceptualization, site feasibility studies, master planning and design of developments for the Company. From 1997 to 2001, he led the planning and design effort for the Shanghai Xintiandi development. He also focuses on mixed-use development, planning and design research and development, and chairs the Sustainable Development Committee of the Company.

Prior to joining Shui On, Mr. Chan worked at the New York City Department of Design and Construction and at Cooper, Robertson + Partners. Mr. Chan holds a Bachelor of Architecture degree from the University of Minnesota, a Master of Architecture degree from the University of California, Berkeley, and a Master of Science degree in Architecture and Urban Design from Columbia University. He also holds an MBA from New York University. He is a Trustee of the Urban Land Institute ("ULI"), an Advisor of Council on Tall Buildings and Urban Habitat, and a member of the Board of Directors of American Institute of Architects Shanghai Chapter.

MR. UY KIM LUN
aged 53, is Director of Legal Affairs and Company Secretary of our Company. He joined our Company in 2005 and is responsible for the legal, company secretarial and compliance issues of our Company. Mr. Uy holds a Bachelor's degree, with honours, in Laws and a Postgraduate Certificate in Laws from The University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1994. He has over 25 years of post-qualification experience and has worked in the legal departments of several blue-chip companies in Hong Kong before joining our Company.

MR. TIMMY T. M. LEUNG
aged 58, is the Director of Treasury of SOM. He is responsible for the treasury function of the Group. He joined SOM in 2009 and has over 32 years of working experience in financial institutions. Prior to joining SOM, Mr. Leung was the Chief Marketing Officer of Temasek's wholly owned subsidiary, Fullerton Investment Guarantee Company. Mr. Leung completed his Business studies in East China University of Science and Technology in Shanghai. He is the Vice President of Shanghai Huangpu District Federation of Returned Overseas Chinese. Mr. Leung was also a Committee member for Hangzhou Committee of The Chinese People's Political Consultative Conference and Vice President and Head of Finance Group of Hong Kong Chamber of Commerce in China, Shanghai and a Committee member for Shanghai Huangpu District Committee of The Chinese People's Political Consultative Conference.

MR. CHARLES K. M. LEE
aged 60, is the Director of Human Resources. He joined the Group in May 2012 and is responsible for Human Resources and Shui On Academy of the Company. Mr. Lee has over 28 years of solid experience in human resources management and has worked in various well-known multi-national corporations in different industries. Mr. Lee holds a Master's degree of Science from The University of Leeds and a Bachelor's degree of Science from the Chinese University of Hong Kong. He also holds an MBA from the City Polytechnic of Hong Kong. Mr. Lee is the Executive Council Member of Huang Pu District Association of Labor Relations and associate member of Hong Kong Institute of Human Resources.

MR. DAVID P. K. WONG
aged 61, is Chief Economist and Director of Development Research. He is responsible for macroeconomic analysis, city screening, property policy research, and leads a team to undertake project feasibility analysis and market trends research. He joined the Group in 1996 and has over 26 years of working experience in the Chinese property markets. Before joining the Group, he was Assistant Chief Economist of Hong Kong Trade Development Council. Mr. Wong holds a Bachelor of Science degree from the University of Minnesota and a Master degree in Economics from the University of California, Berkeley. He is a member of Urban Land Institute and China Strategic Thinkers.

MS. CARRIE M. J. LIU
aged 38, is the Project Director of Rui Hong Xin Cheng ("RHXC") and the Director of Central Marketing and CRM of CXTD. She is responsible for CXTD's corporate marketing, digital marketing and customer relationship management matters. She also leads the day-to-day management and development of the RHXC project operations. She joined the Group in 2001 and has over 15 years of working experience in the real estate industry. She holds an EMBA degree and Bachelor of International Journalism degree from Fu Dan University and is a member of Shanghai Hong Kou District Political Consultative Committee. She is also honoured with the title of Top Business Leader by Shanghai Huang Pu District Government.

MR. ALFRED S. S. LAI
aged 56, is Director of Finance of SOM. He joined the Group in 2015 and is currently responsible for the overall finance and taxation functions of SOM. He has over 33 years of working experience in financial management. Before joining the Group, Mr. Lai had worked in SOCAM for years. During that period, he was seconded to Lafarge Shui On Co. Ltd. as Chief Financial Officer. He holds a Bachelor of Science Degree in Economics and MBA Degree from the London School of Economics and Political Science and Heriot-Watt University in the United Kingdom respectively. He is the associate member of The Hong Kong Institute of Certified Public Accountants and the fellow member of The Association of Chartered Certified Accountants, United Kingdom.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries, associates and joint ventures are set out in Notes 49, 17 and 18 respectively to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the year and the discussions on the Group's future business development are provided in the Chairman's Statement, the Market Updates and Project Profiles, the Business Review, the Landbank and the Financial Review respectively from pages 6 to 8, pages 9 to 43, pages 45 to 55, pages 56 to 57 and pages 58 to 62 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in the Financial Review on pages 58 to 62. Also, the financial risk management objectives and policies of the Group can be found in Notes 46 and 47 to the consolidated financial statements. Particulars of important event affecting the Group that has occurred since the end of the financial year ended 31 December 2016 are provided in Note 45 to the consolidated financial statements. Indications of likely future development in the business of the Company can be found in the Business Review and the Financial Review on pages 45 to 55 and pages 58 to 62. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Review on pages 58 to 62. The discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement, the Corporate Governance Report, the Corporate Social Responsibilty and this Directors' Report on pages 6 to 8, pages 65 to 76 , pages 79 to 101 and pages 108 to 120 of this Annual Report and in the Corporate Social Responsibility Report available on the Group's corporate website.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 128.

An interim dividend of HK$0.011 per share was paid to the shareholders on 23 September 2016.

The Board has resolved to recommend to shareholders of the Company at the forthcoming annual general meeting (the "AGM") the payment of a final dividend for the year ended 31 December 2016 of HKD0.039 per share (2015: HKD0.028 per share), amounting to approximately RMB281 million (2015: RMB190 million) in aggregate, with scrip option to shareholders whose names appear on the register of members of the Company on 6 June 2017, being the record date. Shareholders will be given the option to elect to receive new shares of the Company in lieu of cash in respect of part or all of the proposed final dividend (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) the Company's shareholders' approval of the proposed final dividend at the AGM to be held on 24 May 2017; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares of the Company to be allotted thereunder.

A circular containing details of the Scrip Dividend Scheme will be dispatched to shareholders together with the form of election for scrip dividend as soon as practicable after the AGM. Dividend warrants and share certificates in respect of the proposed final dividend are expected to be dispatched to shareholders on or about 18 July 2017.

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 6 June 2017.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in Note 13 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company during the year ended 31 December 2016 are set out in Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as of 31 December 2016 were RMB16,757 million (2015: RMB16,191 million).

DIRECTORS

The Directors of the Company during the year ended 31 December 2016 and up to the date of this report were:

Executive Directors:
Mr. Vincent H. S. LO
Mr. Douglas H. H. SUNG (appointed on 4 January 2016)
Non-executive Director:
Mr. Frankie Y. L. WONG (re-designated from an Executive Director on 1 January 2017)

Independent Non-executive Directors:
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW
Mr. Anthony J. L. NIGHTINGALE (appointed on 1 January 2016)

In accordance with Article 102 of the Articles of Association of the Company (the "Articles of Association"), Mr. Vincent H. S. LO, Professor Gary C. BIDDLE, and Mr. David J. SHAW will retire from office by rotation at the AGM and, being eligible, will offer themselves for re-election at the AGM.

PERMITTED INDEMNITY

The Articles of Association provides that, every Director (including any alternate Director appointed pursuant to the relevant articles) shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in or about the conduct of the Company's business or affairs or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(A) LONG POSITION IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY

	Number of ordinary shares			Interests in the underlying shares		Approximate percentage of interests to the issued share capital of the Company
Name of Director	Personal interests	Family interests	Other interests	Share options (Note 4)	Total	(Note 5)
Mr. Vincent H. S. LO	–	1,849,521 (Note 1)	4,587,365,484 (Note 2 & 3)	–	4,589,215,005	57.17%
Mr. Douglas H. H. SUNG	–	–	–	437,000	437,000	0.0054%
Sir John R. H. BOND	250,000	–	–	–	250,000	0.003%
Dr. William K. L. FUNG	5,511,456	–	–	–	5,511,456	0.06%
Professor Gary C. BIDDLE	305,381	–	–	–	305,381	0.0038%
Dr. Roger L. McCARTHY	200,000	–	–	–	200,000	0.002%

Notes:

(1) These shares were beneficially owned by Ms. Loletta CHU ("Mrs. Lo"), the spouse of Mr. Vincent H. S. LO ("Mr. Lo"). Mr. Lo was deemed to be interested in 1,849,521 shares under Part XV of the SFO.

(2) These shares were held by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 908,103,792 shares, 1,450,808,826 shares, 183,503,493 shares, 29,847,937 shares, 633,333,333 shares, 908,448,322 shares, 150,000,000 shares and 323,319,781 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI"), Chester International Cayman Limited ("Chester International"), New Rainbow Investments Limited ("NRI"), Lanvic Limited ("Lanvic"), Boswell Limited ("Boswell"), Merchant Treasure Limited ("Merchant Treasure") and Doreturn Limited ("Doreturn") respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure and Doreturn were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited ("SOCAM") which in turn was held by SOCL as to 48.38%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) Out of these 4,587,365,484 shares, SOP may lend up to 350,000,000 shares in aggregate to J.P. Morgan Securities plc pursuant to a Stock Lending Agreement dated 21 May 2015 entered into between SOP (as lender) and J.P. Morgan Securities plc (as borrower), details of which were set out in the announcement of the Company dated 22 May 2015.

(4) These represent the interests of share options granted to the Directors and/or their respective associate(s) under the share option scheme adopted by the Company on 8 June 2007 to subscribe for shares.

(5) These percentages were compiled based on the total number of issued shares (i.e. 8,026,630,189 shares) at 31 December 2016.

(B) INTERESTS IN THE DEBENTURES OF THE ASSOCIATED CORPORATION OF THE COMPANY

Name of Director	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Mr. LO	Shui On Development (Holding) Limited	Family interests	USD1,300,000
Mr. Douglas H. H. SUNG	Shui On Development (Holding) Limited	Personal interests	USD450,000
Sir John R. H. BOND	Shui On Development (Holding) Limited	Personal interests	USD813,000
Dr. William K. L. FUNG	Shui On Development (Holding) Limited	Family interests	USD500,000
		Interests of Controlled Corporation	USD3,000,000
Mr. Anthony J. L. NIGHTINGALE	Shui On Development (Holding) Limited	Personal interests	USD200,000

Save as disclosed above, at 31 December 2016, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

At 31 December 2016, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity/Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests in the Company (Note 5)
Mrs. Lo	Family and Personal	4,589,215,005 (Notes 1 & 4)	57.17%
HSBC Trustee	Trustee	4,587,365,484 (Notes 2, 3 & 4)	57.15%
Bosrich	Trustee	4,587,365,484 (Notes 2, 3 & 4)	57.15%
SOCL	Interests of Controlled Corporation	4,587,365,484 (Notes 2, 3 & 4)	57.15%

Notes:

(1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,587,365,484 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO as mentioned in Note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 4,587,365,484 shares under Part XV of the SFO.

(2) These shares were held by SOCL through its controlled corporations, comprising 908,103,792 shares, 1,450,808,826 shares, 183,503,493 shares, 29,847,937 shares, 633,333,333 shares, 908,448,322 shares, 150,000,000 shares and 323,319,781 shares held by SOP, SOI, Chester International, NRI, Lanvic, Boswell, Merchant Treasure and Doreturn respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure and Doreturn were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 48.38%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) Out of these 4,587,365,484 shares, SOP may lend up to 350,000,000 shares in aggregate to J.P. Morgan Securities plc pursuant to a Stock Lending Agreement dated 21 May 2015 entered into between SOP (as lender) and J.P. Morgan Securities plc (as borrower), details of which were set out in the announcement of the Company dated 22 May 2015.

(4) All the interests stated above represent long positions.

(5) These percentages were compiled based on the total number of issued shares (i.e. 8,026,630,189 shares) at 31 December 2016.

Save as disclosed above, at 31 December 2016, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

SHARE OPTIONS

Particulars of the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 8 June 2007 (the "Adoption Date") are set out in Note 40 to the consolidated financial statements.

The following table sets out the movement of the Company's share options during the year under review:

Name or category of Eligible participants	Date of grant	Exercise price per share HK$	At 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	At 31 December 2016	Period during which the share options are exercisable
Director								
Mr. Douglas H. H. SUNG	4 July 2016	1.98	–	437,000	–	–	437,000	Q2 2017 (Note) – 3 July 2022
SUB-TOTAL			–	437,000	–	–	437,000	
Consultant								
Mr. Richard K. N. HO	20 June 2007	6.45	217,000	–	–	(217,000)	–	20 June 2007 – 19 June 2016
SUB-TOTAL			217,000	–	–	(217,000)	–	
Employees (in aggregate)	20 June 2007	6.45	30,662,741	–	–	(30,662,741)	–	20 June 2009 – 19 June 2016
	1 August 2007	7.54	495,773	–	–	(495,773)	–	1 August 2009 – 31 July 2016
	2 October 2007	9.22	267,799	–	–	(267,799)	–	2 October 2009 – 1 October 2016
	1 November 2007	10.86	229,778	–	–	(229,778)	–	1 November 2009 – 31 October 2016
	3 December 2007	9.11	67,696	–	–	(67,696)	–	3 December 2009 – 2 December 2016
	2 January 2008	8.27	1,636,194	–	–	(567,366)	1,068,828	2 January 2010 – 1 January 2017
	1 February 2008	7.42	317,109	–	–	(103,773)	213,336	1 February 2010 – 31 January 2017
	3 March 2008	7.08	277,504	–	–	(201,075)	76,429	3 March 2010 – 2 March 2017
	2 May 2008	7.31	2,674,115	–	–	(747,474)	1,926,641	2 May 2010 – 1 May 2017
	2 June 2008	6.77	5,931,901	–	–	(1,473,095)	4,458,806	2 June 2010 – 1 June 2017
	2 July 2008	5.95	206,111	–	–	(119,307)	86,804	2 July 2010 – 1 July 2017
	4 September 2009	4.52	6,050,011	–	–	(2,246,680)	3,803,331	3 November 2010 – 2 November 2017
	18 January 2012	2.41	9,512,122	–	–	(2,240,861)	7,271,261	28 June 2013 – 17 January 2020
	3 September 2012	4.93	10,522,791	–	–	(8,286,061)	2,236,730	3 October 2012 – 28 October 2018
	3 September 2012	4.93	10,810,629	–	–	(2,106,232)	8,704,397	5 November 2012 – 4 November 2019
	7 July 2015	2.092	6,651,000	–	–	(875,000)	5,776,000	1 June 2016 – 6 July 2021
	4 July 2016	1.98	–	8,143,000	–	–	8,143,000	Q2 2017 (Note) – 3 July 2022
SUB-TOTAL			86,313,274	8,143,000	–	(50,690,711)	43,765,563	
TOTAL			86,530,274	8,580,000	–	(50,907,711)	44,202,563	

Note:

The vesting date is a date during the period from 1 April 2017 to 30 June 2017 as determined by the Remuneration Committee of the Company.

SUMMARY OF THE SHARE OPTION SCHEME ARE AS FOLLOWS:

(I) PURPOSE

The purpose of the Share Option Scheme is to provide a strategic driver to enhance shareholder value of the Company through achieving excellent business results and rapid growth; and to build a high performing organization with loyal staff and other key contributors who are committed to achieving the vision and goals of the Company.

(II) QUALIFYING PARTICIPANTS

The Board may offer to grant an option to any employee including employee who has been newly promoted or recruited by the Company and/or its subsidiaries and non-executive director, consultant or other contributor of the Company or its subsidiaries as recommended by the Chairman.

(III) MAXIMUM NUMBER OF SHARES

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme or 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit exceeded. At 31 December 2016, the number of shares available for issue in respect thereof is 417,959,717 shares.

(IV) LIMIT FOR EACH PARTICIPANT

The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

(V) OPTION PERIOD

The period within which the shares must be taken up under an option for an employee shall be for such period as the Board may from time to time determine, and initially as at the Adoption Date, shall be a period ranging from 5 years for the first to the third tranche to 1 year for the seventh tranche of the option unless otherwise adjusted by the Board in its absolute discretion in certain circumstances set out in the Share Option Scheme. In the case of an option granted to a qualifying participant recommended by the Chairman, the option period shall be for such period as the Board may from time to time determine in accordance with the recommendations of the Chairman, which initially at the Adoption Date, shall not be more than 5 years from the date of the relevant grant. In all cases, the option period shall not exceed 10 years from the date of grant of the relevant option.

(VI) ACCEPTANCE AND PAYMENT ON ACCEPTANCE

An offer shall remain open for acceptance by the qualifying participant concerned for a period of 30 days from the date of the offer (or such longer period as the Board may specify in writing). HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.

(VII) SUBSCRIPTION PRICE

The subscription price in respect of any particular option shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. The Board will be given the authority to determine the subscription price in its discretion in accordance with the terms of the Share Option Scheme.

(VIII) REMAINING LIFE OF THE SHARE OPTION SCHEME

The Board shall be entitled at any time within 10 years commencing on 8 June 2007 to make an offer for the grant of an option to any qualifying participants.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

EQUITY-LINKED AGREEMENT

During the year, the Company has not entered into any equity-linked agreement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 65 to 76.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 44 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions of the Company and its subsidiaries during the year under review, certain of which are ongoing.

(1) CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE PROVISION OF CONSTRUCTION SERVICES BY DALIAN YIDA DEVELOPMENT COMPANY LIMITED ("DALIAN YIDA") (PREVIOUSLY BY YIDA GROUP CO., LTD. ("YIDA PRC") AND ITS SUBSIDIARIES (THE "YIDA PRC GROUP")) FOR DALIAN TIANDI

On 7 August 2008, Richcoast Group Limited ("Richcoast") and Yida PRC entered into a framework construction agreement, pursuant to which the Yida PRC Group may enter into contracts with Richcoast and its subsidiaries (collectively as the "Richcoast Group") to perform site formation and construction works, which include excavation and/or back filling, clearance of the construction site, removal of the construction garbage, setting up a drainage system and construction of the main structures on the land area constituting Dalian Tiandi for a term expiring no later than 31 December 2010. The term of the agreement was subsequently extended to 31 December 2011 by a supplemental agreement dated 17 July 2009 and further extended to 31 December 2012 by a second supplemental agreement dated 26 August 2010. On 23 November 2012, Richcoast and Yida PRC entered into the third supplemental agreement to the framework construction agreement to provide guidelines and basis of annual caps for the provision of construction services by the Yida PRC Group to the Richcoast Group for a further term of three financial years ended on 31 December 2015. The maximum annual fees for the construction services provided by the Yida PRC Group to the Group for each of the three years ended on 31 December 2015 should not exceed RMB1,000 million.

On 4 December 2015, Richcoast, Yida PRC and Dalian Yida entered into the fourth supplemental agreement to the framework construction agreement, whereby the parties agreed that Yida PRC transferred, and Dalian Yida accepted the transfer of, all the rights and obligations of Yida PRC under the framework construction agreement effective from 1 January 2016 as Yida PRC no longer engaged in construction work; and the term of the framework construction agreement should be further extended for three financial years ending on 31 December 2018.

As at 4 December 2015, Yida PRC and its ultimate beneficial owner were third parties independent of the Company and its connected person. Dalian Yida, through its wholly-owned subsidiary, is a substantial shareholder of Dalian Delan Software Development Co., Ltd., Dalian Jiadao Information Co., Ltd., Dalian Qiantong Science & Technology Development Co., Ltd. and Dalian Ruisheng Software Development Co., Ltd., all being non-wholly owned subsidiaries of the Company for the purpose of the Listing Rules. Therefore, Dalian Yida is a connected person of the Company.

The Group expected that the maximum annual fees for the construction services provided by the Dalian Yida to the Group for each of the three years ending on 31 December 2018 would not exceed RMB600 million.

An amount of RMB 531 million was paid and/or is payable by the Richcoast Group to the Yida PRC Group for the construction services fees during the year under review.

(2) CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE USE OF AIRCRAFT OWNED BY A SUBSIDIARY OF SOCL

On 4 September 2009, the Company entered into an agreement with Top Dynasty Investment Limited ("Top Dynasty") pursuant to which the Group may use an aircraft owned by Top Dynasty for the purpose of transporting passengers for business of the Group. As Top Dynasty is a subsidiary of SOCL, the transactions contemplated under the agreement constitute continuing connected transactions of the Company under the Listing Rules.

The term of the agreement was extended to 31 December 2013 by a supplemental agreement dated 2 November 2010, further extended to 31 December 2016 by a second supplemental agreement dated 18 September 2013 and further extended to 31 December 2019 by a third supplemental agreement dated 23 November 2016. The fees payable under the agreement are calculated based on the actual travelling schedules of the passengers.

It was expected that the maximum annual fees payable by the Group to Top Dynasty and its affiliates under the agreement for the financial year ended 31 December 2016 should not exceed RMB16.6 million, and for each of the three financial years ending on 31 December 2019 would not exceed RMB18 million.

An amount of RMB 9.26 million was paid and/or is payable by the Group to Top Dynasty and its affiliates for the use of aircraft during the year under review.

(3) CONTINUING CONNECTED TRANSACTIONS WITH V I CAPITAL MANAGEMENT LIMITED ("VICAP") IN RESPECT OF THE PROVISION OF ADVISORY SERVICES BY VICAP TO THE GROUP

On 1 April 2015, Shui On Development (Holding) Limited ("SODH") and ViCap entered into the framework services agreement pursuant to which the Group may enter into service contracts with ViCap for the provision of the advisory services, including but not limited to financial advisory services, merger and acquisition services, divestment consultancy services, etc., in accordance with the terms of the framework services agreement by ViCap to the Group during the period of two years commencing from 1 April 2015 to 31 March 2017. ViCap shall provide to the Group the services on such normal commercial terms as ViCap may agree with the Group from time to time. Details of the transactions were set out in the announcement of the Company dated 1 April 2015.

ViCap is wholly-owned by Mr. Frankie Y. L. Wong who is a Director and a connected person of the Company. Therefore, ViCap is an associate of a connected person of the Company at the listed issuer level and thus a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the framework services agreement constituted continuing connected transactions for the Company under the Listing Rules.

The Group estimated that the maximum caps for the service fees payable by the Group to ViCap under the framework services agreement for the periods (i) from 1 April 2015 to 31 December 2015 would be RMB25 million; (ii) from 1 January 2016 to 31 December 2016 would be RMB20 million; and (iii) from 1 January 2017 to 31 March 2017 would be RMB5 million respectively.

No service fee was paid and/or is payable by the Group to ViCap in respect of the advisory services provided by ViCap to the Group during the year under review.

(4) CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE PROVISION OF PROPERTY MANAGEMENT SERVICES BY FENG CHENG PROPERTY MANAGEMENT SERVICES LIMITED ("FENG CHENG") AND ITS SUBSIDIARIES (THE "FENG CHENG GROUP") TO THE RICHCOAST GROUP

On 7 December 2016, Richcoast entered into a framework services agreement with Feng Cheng pursuant to which the Richcoast Group may enter into contracts with the Feng Cheng Group for the provision of property management services by the Feng Cheng Group to the Richcoast Group during the period of three years from 1 January 2016 to 31 December 2018. Details of the transactions were set out in the announcement of the Company dated 7 December 2016.

Richcoast is a connected subsidiary of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the framework services agreement constituted continuing connected transactions for the Company under the Listing Rules.

The Group estimated that the maximum caps for the service fees payable by the Richcoast Group to the Feng Cheng Group under the framework services agreement for each of the three financial years ending on 31 December 2018 would not exceed RMB22.6 million, RMB46.7 million and RMB49.8 million respectively.

Feng Cheng will discuss and negotiate the relevant service prices with the relevant parties and ensure that the final service prices will be within the then market rates. The information related to the market rates are obtained through online searches and from the relevant information provided by the related property companies.

An amount of RMB 8.86 million was paid and/or is payable by the Richcoast Group to the Feng Cheng Group for the property management services during the year under review.

(5) PROVISION OF FINANCIAL SUPPORT TO THE RICHCOAST GROUP

On 5 December 2016, Innovate Zone Group Limited ("Innovate Zone") as financial support provider entered into the financial support agreement with Richcoast as financial support receiver pursuant to which Innovate Zone agreed to lend or procure its associates to lend, and Richcoast agreed to borrow or procure its subsidiaries to borrow the loans in an aggregate amount of RMB289 million made by Innovate Zone and/or its associates to the Richcoast Group by entering into separate loan agreements. Details of the transaction were set out in the announcement of the Company dated 5 December 2016.

Richcoast is a connected subsidiary of the Company for the purposes of the Listing Rules. Therefore, the provision of loans by Innovate Zone and/or its associates to the Richcoast Group constituted a connected transaction for the Company under the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions referred to in items (1) to (4) and are of the opinion that the continuing connected transactions as stated in items (1) to (4) above have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the terms of the respective agreements which are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions referred to in items (1) to (4) disclosed by the Group in the Annual Report in accordance with Rule 14A.56 of the Listing Rule. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in Note 44 to the consolidated financial statements, no contract to which the Company, or any of the subsidiaries of the Company was a party, and in which a Director of the Company had, at any time during the year, whether directly or indirectly, an interest, (being, in either case, in the opinion of the Directors, a contract of significance in relation to the Company's business and in which the Director's interest is or was material), subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 December 2016, the following Director or his associates is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of Director	Name of businesses which entity are considered to compete or likely to compete with the businesses of the Group	Description of the businesses of the entity which are considered to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Lo	SOCL	Property investment in the PRC	Director and controlling shareholder
Mr. Lo	SOCAM	Property investment in the PRC	Director and controlling shareholder
Mr. Lo	Great Eagle Holdings Limited	Property investment in the PRC	Director
Mr. Frankie Y. L. Wong (Note)	SOCL	Property investment in the PRC	Director

Note:
During the year, Mr. Frankie Y. L. Wong had also been appointed as an executive director, the chief executive officer and the chief financial officer of SOCAM with effect from 1 January 2017.

There is a deed of non-competition dated 30 May 2006 (the "Deed") and entered into between Mr. Lo, SOCL and the Company pursuant to which Mr. Lo and SOCL have given certain undertakings to the Company, among others, that the Company is to be the flagship company of the Shui On Group (that is, SOCL and its subsidiaries and for the purpose of this section "Directors' Interests in Competing Business", excluding SOCAM and its subsidiaries) for the Shui On Group's property development and investment business in the PRC and concerning the Shui On Group's investment in future property development projects in the PRC. Such information has been disclosed in the Company's prospectus dated 20 September 2006. In respect of the year ended 31 December 2016, the Company has received from each of Mr. Lo and SOCL a confirmation on compliance with the non-competition undertakings as contemplated under the Deed.

Save as aforesaid, as of the date of this report, none of the Directors of the Company has an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 10 December 2012, a written agreement (the "Trust Deed") was entered into between the Company as guarantor, SODH as issuer and DB Trustee (Hong Kong) Limited ("DB") as trustee of the USD500 million perpetual capital securities issued by SODH (the "Perpetual Securities"), pursuant to which the Perpetual Securities were issued. The Trust Deed provides that if (a) SODH fails to comply with any of the covenants set out in the terms and conditions of the Perpetual Securities and such breach continues or (b) SODH does not redeem the Perpetual Securities following the occurrence of a change of control (as defined in the terms and conditions of the Perpetual Securities) or fails to make or consummate an offer to purchase, the then-prevailing distribution rate shall be increased by 3% per annum with effect from (and including) the date on which such change of control occurs, provided that the maximum aggregate increase in the distribution rate shall be 3% per annum. Details of the transaction were set out in the announcement of the Company dated 11 December 2012.

On 26 February 2014, a written agreement (the "2017 CNH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the RMB2,500 million 6.875% senior notes due 2017 issued by SODH (the "2017 CNH Notes"), pursuant to which the 2017 CNH Notes were issued. The 2017 CNH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2017 CNH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2017 CNH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 27 February 2014.

On 19 May 2014, two written agreements (respectively the "2018 SODH Indenture" and the "2020 SODH Indenture") were entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD637,027,000 8.700% senior notes due 2018 (the "2018 SODH Notes") and USD202,487,000 9.750% senior notes due 2020 (the "2020 SODH Notes") issued by SODH, pursuant to which the 2018 SODH Notes and 2020 SODH Notes were issued. The 2018 SODH Indenture and the 2020 SODH Indenture provide that upon the occurrence of a Change of Control (as defined in the 2018 SODH Indenture and 2020 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2018 SODH Notes and 2020 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 20 May 2014.

On 10 June 2014, a written agreement (the "2019 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD550 million 9.625% senior notes due 2019 issued by SODH (the "2019 SODH Notes"), pursuant to which the 2019 SODH Notes were issued. The 2019 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2019 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2019 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 11 June 2014.

On 7 November 2014, the Group entered into a facility agreement with a syndicate of banks (the "Syndicate Loan Agreement") whereby the Group was granted a two-year term loan facility divided into (1) tranche A in an aggregate amount equals to HKD1,000 million; and (ii) tranche B in an aggregate amount equals to USD121.5 million (the "Syndicated Loan") for the general working capital requirement of the Group. Pursuant to the Syndicate Loan Agreement, there is a requirement that Mr. Lo (i) beneficially owns at least 35% of the issued share capital of the Company and be the single largest shareholder of the Company; (ii) be the Chairman of the Company and (iii) maintains management control of the Company. Details of the transaction were set out in the announcement of the Company dated 7 November 2014. The Group had fully repaid the principal amount of the outstanding Syndicated Loan together with the accrued and unpaid interest upon its maturity on 7 November 2016.

On 24 November 2014, a written agreement (the "2017 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD500 million 8.70% senior notes due 2017 issued by SODH (the "2017 SODH Notes"), pursuant to which the 2017 SODH Notes were issued. The 2017 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2017 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2017 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 25 November 2014.

On 5 October 2016, a written agreement (the "2019 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD250 million 4.375% senior notes due 2019 issued by SODH (the "2019 Notes"), pursuant to which the 2019 Notes were issued. The 2019 Indenture provides that upon the occurrence of a Change of Control (as defined in the 2019 Indenture), the Company or SODH will make an offer to repurchase all outstanding 2019 Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 6 October 2016.

Any breach of the above obligations will cause a default in respect of the Perpetual Securities, the 2017 CNH Notes, the 2018 SODH Notes, the 2020 SODH Notes, the 2019 SODH Notes, the 2017 SODH Notes and the 2019 Notes and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB3,821 million at 31 December 2016.

REMUNERATION POLICY

The remuneration policy of the Group to reward its employees is based on individual performance, qualifications and competence displayed.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PROVIDENT AND RETIREMENT FUND SCHEMES

Details of the Group's provident and retirement fund schemes are shown in Note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float during the year ended 31 December 2016, as required under the Listing Rules.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to RMB1 million (2015: RMB1 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group sales were attributable to the top five customers of the Group. During the year, our five largest construction contractors accounted for approximately 54% of our total payments for construction services.

AUDITOR

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Vincent H. S. LO
Chairman

22 March 2017

Deloitte. 德勤

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 128 to 222, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED (CONTINUED)

(incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties stated at fair value	
We identified the valuation of investment properties stated at fair value as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the involvement of management's judgment in determining the fair value. As disclosed in note 13 to the consolidated financial statements, the investment properties are located in the People's Republic of China (the "PRC"). The fair value of completed investment properties and investment properties under construction or development at fair value, amounted to RMB42,065 million and RMB2,999 million, respectively as at 31 December 2016, which in aggregate represents 37% of the Group's total assets. An increase in fair value of RMB1,176 million was recognised in the consolidated statement of profit or loss for the year then ended. In estimating the fair value of these investment properties stated at fair value, the Group engaged an independent qualified professional valuer to perform the valuation. As disclosed in note 4 to the consolidated financial statements, the management of the Group worked with the valuer to establish and determine the appropriate valuation technique and inputs for fair value measurements. As disclosed in note 13 to the consolidated financial statements, for those completed investment properties, the key inputs in the income capitalisation approach are capitalisation rate and daily market rent while for those investment properties under construction or development that are measured at fair value, the key inputs in the market-based approach are gross development value, level adjustment and developer's profit. Changes in these key inputs would result in changes in fair value.	Our procedures in relation to the valuation of investment properties stated at fair value included: • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer; • Obtaining an understanding of the valuation processes and significant assumptions from the management of the Group and the valuer to assess if the income capitalisation approach or the market-based approach adopted are appropriate for the respective properties; • Evaluating the appropriateness of the estimations used by the management of the Group and the valuer, in particular, the valuation model and the capitalisation rate used by the management of the Group and the valuer; and • Assessing the reasonableness of other key inputs used in the valuation model by comparing daily market rent, gross development value, level adjustment, developer's profit and forecast construction costs to be incurred, on a sample basis, against current market data and entity-specific information.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of liabilities arising from rental guarantee arrangements	
We identified the valuation of liabilities arising from rental guarantee arrangements as a key audit matter as a significant judgment is required in determining the fair value. As disclosed in notes 4 and 34 to the consolidated financial statements, the Group has liabilities arising from rental guarantee arrangements in relation to the disposal of certain properties in prior years. As part of these disposals, the Group agreed to provide the purchasers of these properties with rental guarantees, which are based on the excess of 8% of the consideration received by the Group over the net operating income to be generated by the properties. As at 31 December 2016, the Group has recognised liabilities arising on rental guarantee arrangements amounting to RMB599 million, with a loss of RMB227 million arising from rental guarantee arrangements recognised in the financial line item of "other gains and losses" in the consolidated statement of profit or loss for the year then ended. In estimating the fair value of the liabilities arising from these rental guarantee arrangements, the Group engaged an independent qualified professional valuer to perform the valuation. As disclosed in note 4 to the consolidated financial statements, the management worked with the valuer to establish and determine the appropriate valuation technique and inputs for fair value measurements. The determination of the fair value of such liabilities involves significant judgments and estimates. The key assumptions used in the valuation include the estimated office unit rental, the occupancy rate, risk-free rate, discount rate and expected expiry date.	Our procedures in relation to the valuation of liabilities arising from rental guarantee arrangements included: • Evaluating the competence, capabilities and objectivity of the valuer; • Obtaining an understanding of the valuation processes and significant assumptions from the management of the Group and the valuer to assess if the approach adopted on valuing the liabilities arising from rental guarantee arrangements is appropriate; • Assessing the reasonableness of the key inputs used in the valuation model, including but not limited to comparing the forecast occupancy rate and estimated rental income per square meter of the properties against current market data and entity-specific historical information; and • Performing an assessment of the accuracy of historical forecasts made by the management of the Group by comparing the actual and forecasted performance in the prior years and understanding any significant differences.

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED (CONTINUED)

(incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of a call option to buy back an investment property disposed of in previous years	
We identified the valuation of a call option to buy back an investment property disposed of in previous years as a key audit matter due to the involvement of management's judgment in determining the fair value. As disclosed in notes 4 and 33 to the consolidated financial statements, in previous years, the Group disposed of its entire equity interest in a subsidiary, and the related intercompany loans, that indirectly, owned 99% interest in an investment property located in Shanghai, the PRC, to an independent third party. In accordance with the relevant sale and purchase agreement, the Group was granted a call option to repurchase all the equity interest of the disposed subsidiary and the related shareholder's loans within two months before the fifth anniversary or the seventh anniversary of the completion of the disposal at a cash consideration that represented the original consideration plus 9% per annum rate of return. As at 31 December 2016, the fair value of the call option to buy back an investment property amounted to RMB460 million, with the increase in fair value of RMB10 million recognised in the financial line item of "other gains and losses" in the consolidated statement of profit or loss for the year then ended. In estimating the fair value of the call option, the Group engaged independent qualified professional valuers to perform the valuation on the underlying investment property and the call option. As disclosed in note 4 to the consolidated financial statements, the management worked with the valuers to establish and determine the appropriate valuation technique and inputs for fair value measurements.	Our procedures in relation to the valuation of a call option to buy back an investment property disposed of in previous years included: • Evaluating the competence, capabilities and objectivity of the valuers; • Obtaining an understanding of the valuation processes and significant assumptions from the management of the Group and the valuers to assess if these approaches meet the requirements of IFRSs; • Evaluating the appropriateness of the estimations used by the management of the Group and the valuers, in particular, the underlying assumptions and methodologies used by the management of the Group and the valuers; and • Assessing the reasonableness of the key inputs used in the valuation model, including but not limited to comparing against the fair value of similar properties within the same locality and comparing the risk free rate used against current market data and entity-specific historical information with the assistance of our valuation specialists.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Provision for Land Appreciation Tax ("LAT")	
We identified the provision for LAT as a key audit matter due to the complexity of estimation of LAT. The Group has property development projects in a number of cities in the PRC and is subject to LAT in the PRC. As disclosed in note 9 to the consolidated financial statements, the provision for LAT of RMB1,323 million was recognised in the consolidated statement of profit or loss for the year ended 31 December 2016. As disclosed in note 9 to the consolidated financial statements, LAT 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.	Our procedures in relation to the provision for LAT included: • Obtaining an understanding from the management of the Group about the basis adopted by management of the Group in arriving at the provision for LAT; • Assessing the Group's provision for LAT computation prepared by the management of the Group with reference to relevant rules and regulations with the assistance of our taxation specialists; and • Checking the financial information, such as land costs, borrowing costs and the relevant property development expenditures, used in the calculation of provision for LAT to the Group's historical financial data.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED (CONTINUED)

(incorporated in the Cayman Islands with limited liability)

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Sze On Tat.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 RMB'million	2015 RMB'million
Turnover			
– The Company and its subsidiaries (the "Group")		17,600	6,472
– Share of associates		336	167
		17,936	6,639
Turnover of the Group	5	17,600	6,472
Cost of sales		(11,695)	(4,783)
Gross profit		5,905	1,689
Other income	6	580	437
Selling and marketing expenses		(324)	(227)
General and administrative expenses		(889)	(899)
Operating profit	7	5,272	1,000
Gain on investment properties disposed of	38(b), (d)	476	3,174
Increase in fair value of the remaining investment properties	13	1,176	2,970
Other gains and losses	6	495	(123)
Share of losses of associates and joint ventures		(289)	(314)
Finance costs, inclusive of exchange differences	8	(2,495)	(2,619)
Profit before taxation		4,635	4,088
Taxation	9	(2,859)	(2,321)
Profit for the year		1,776	1,767
Attributable to:			
Shareholders of the Company		1,088	788
Owners of convertible perpetual securities		–	174
Owners of perpetual capital securities		337	316
Owners of convertible perpetual capital securities		112	61
Non-controlling shareholders of subsidiaries		239	428
		688	979
		1,776	1,767
Earnings per share	12		
– Basic		RMB0.14	RMB0.10
– Diluted		RMB0.14	RMB0.05

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 RMB'million	2015 RMB'million
Profit for the year		1,776	1,767
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		(59)	(59)
Fair value adjustments on interest rate swaps designated as cash flow hedges	33	5	(2)
Fair value adjustments on cross currency swaps designated as cash flow hedges	33	–	(5)
Fair value adjustment on currency forward contracts designated as cash flow hedges	33	343	–
Reclassification from hedge reserve to profit or loss		3	26
Reclassification from hedge reserve to profit or loss arising from currency forward contracts		(221)	–
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations	37	4	2
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties, net of tax		14	–
Other comprehensive income (expense) for the year		89	(38)
Total comprehensive income for the year		1,865	1,729
Total comprehensive income attributable to:			
Shareholders of the Company		1,177	750
Owners of convertible perpetual securities		–	174
Owners of perpetual capital securities		337	316
Owners of convertible perpetual capital securities		112	61
Non-controlling shareholders of subsidiaries		239	428
		688	979
		1,865	1,729

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2016

	Notes	2016 RMB'million	2015 RMB'million
Non-current assets			
Investment properties	13	56,620	55,600
Property, plant and equipment	14	1,845	2,268
Prepaid lease payments	15	36	128
Interests in associates	17	379	562
Interests in joint ventures	18	27	27
Loans to associates	17	1,865	1,962
Loans to joint ventures	18	756	2,912
Accounts receivable and prepayments	19	737	504
Amounts due from associates	17	2,156	1,878
Pledged bank deposits	21	4,024	2,008
Derivative financial instrument	33	460	450
Deferred tax assets	35	840	554
		69,745	68,853
Current assets			
Properties under development for sale	16	21,838	20,102
Properties held for sale	22	4,865	2,560
Accounts receivable, deposits and prepayments	19	12,492	10,344
Amounts due from related companies	23	808	724
Amounts due from joint ventures	18	6	21
Amounts due from customers for contract work	20	97	103
Derivative financial instruments	33	343	–
Pledged bank deposits	21	455	981
Restricted bank deposits	21	1,435	4,281
Bank balances and cash	21	9,653	3,344
		51,992	42,460
Assets classified as held for sale	39	476	5,857
		52,468	48,317
Current liabilities			
Accounts payable, deposits received and accrued charges	25	18,885	13,340
Amounts due to related companies	23	412	310
Amounts due to non-controlling shareholders of subsidiaries	24	8	11
Tax liabilities		2,242	1,301
Bank and other borrowings – due within one year	26	6,434	12,778
Senior notes	29	6,023	–
Derivative financial instruments	33	368	37
Liabilities arising from rental guarantee arrangements	34	328	320
		34,700	28,097
Liabilities associated with assets classified as held for sale	39	–	1,813
		34,700	29,910
Net current assets		17,768	18,407
Total assets less current liabilities		87,513	87,260

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2016

	Notes	2016 RMB'million	2015 RMB'million
Capital and reserves			
Share capital	27	145	145
Reserves	28	37,305	36,500
Equity attributable to shareholders of the Company		37,450	36,645
Convertible perpetual securities	30	1	16
Convertible perpetual capital securities	31	1,345	1,346
Perpetual capital securities	32	3,046	3,050
Non-controlling shareholders of subsidiaries		4,414	5,061
		8,806	9,473
Total equity		46,256	46,118
Non-current liabilities			
Accounts payable and accrued charges	25	24	48
Bank and other borrowings – due after one year	26	23,377	20,559
Senior notes	29	11,289	14,655
Derivative financial instruments	33	–	238
Liabilities arising from rental guarantee arrangements	34	271	370
Deferred tax liabilities	35	6,274	5,242
Defined benefit liabilities	37	22	30
		41,257	41,142
Total equity and non-current liabilities		87,513	87,260

The consolidated financial statements on pages 128 to 222 were approved and authorised for issue by the Board of Directors on 22 March 2017 and are signed on its behalf by:

VINCENT H. S. LO
DIRECTOR

DOUGLAS H. H. SUNG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to shareholders of the Company						
	Share capital RMB' million	Share premium RMB' million	Merger reserve RMB' million (note 28(a))	Special reserve RMB' million (note 28(b))	Share option reserve RMB' million	Share award reserve RMB' million	Exchange reserve RMB' million
At 1 January 2015	145	18,020	122	(135)	205	–	(49)
Profit for the year	–	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(59)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 33)	–	–	–	–	–	–	–
Reclassification from hedge reserve to profit or loss (note 33)	–	–	–	–	–	–	–
Fair value adjustments on cross currency swaps designated as cash flow hedges (note 33)	–	–	–	–	–	–	–
Remeasurement of defined benefit obligations (note 37)	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	(59)
Recognition of equity-settled share-based payment expenses	–	–	–	–	4	–	–
Lapse of share options	–	–	–	–	(83)	–	–
Recognition of equity-settled share-based payment expenses under the share award scheme (note 40)	–	–	–	–	–	8	–
Issue of convertible perpetual capital securities (note 31)	–	–	–	–	–	–	–
Expenditure incurred on issue of convertible perpetual capital securities (note 31)	–	–	–	–	–	–	–
Capital injection	–	–	–	–	–	–	–
Acquisition of the remaining interests in subsidiaries (note 38(f))	–	–	–	–	–	–	–
Acquisition of the remaining interest in a subsidiary	–	–	–	–	–	–	–
Disposal of subsidiaries (note 38(d))	–	–	–	–	–	–	–
Acquisition of additional interests in a joint venture (note 38(a))	–	–	–	–	–	–	–
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–
Total dividends of HK$0.062 per share paid, comprising 2014 final dividend of HK$0.04 per share and 2015 interim dividend of HK$0.022 per share	–	–	–	–	–	–	–
Settlement of convertible bonds upon maturity (note 36)	–	–	–	–	–	–	–
Conversion of convertible perpetual securities (note 30)	–	–	–	–	–	–	–
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–
Distributions to owners of convertible perpetual securities	–	–	–	–	–	–	–
Distribution to owners of convertible perpetual capital securities	–	–	–	–	–	–	–
At 31 December 2015	145	18,020	122	(135)	126	8	(108)
At 1 January 2016	145	18,020	122	(135)	126	8	(108)
Profit for the year	–	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(59)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 33)	–	–	–	–	–	–	–
Reclassification arising from interest rate swaps from hedge reserve to profit or loss (note 33)	–	–	–	–	–	–	–
Fair value adjustments on currency forward contracts designated as cash flow hedges (note 33)	–	–	–	–	–	–	–
Reclassification from hedge reserve to profits or loss arising from currency forward contracts (note 33)	–	–	–	–	–	–	–
Remeasurement of defined benefit obligations (note 37)	–	–	–	–	–	–	–
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties (note 13)	–	–	–	–	–	–	–
Deferred tax arising from gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties	–	–	–	–	–	–	–
Total comprehensive income (expense) for the year	–	–	–	–	–	–	(59)
Recognition of equity-settled share-based payment expenses	–	–	–	–	3	–	–
Recognition of equity-settled share-based payment expenses under the share award scheme (note 40)	–	–	–	–	–	9	–
Lapse of share options	–	–	–	–	(90)	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–
Acquisition of subsidiaries (note 38(a))	–	–	–	–	–	–	–
Disposal of subsidiaries (note 38(b))	–	–	–	–	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–
Total dividends of HK$0.039 per share paid, comprising 2015 final dividend of HK$0.028 per share and 2016 interim dividend of HK$0.011 per share	–	–	–	–	–	–	–
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–
Distribution to owners of convertible perpetual capital securities	–	–	–	–	–	–	–
Distribution to owners of convertible perpetual securities	–	–	–	–	–	–	–
Capital injection by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–
At 31 December 2016	145	18,020	122	(135)	39	17	(167)

Attributable to shareholders of the Company											
Convertible bond equity reserve RMB' million	Hedge reserve RMB' million	Other reserves RMB' million (note 28(c))	Property revaluation reserve RMB' million	Retained earnings RMB' million	Sub-total RMB' million	Convertible perpetual securities RMB' million (note 30)	Convertible perpetual capital securities RMB' million (note 31)	Perpetual capital securities RMB' million (note 32)	Non–controlling shareholders of subsidiaries RMB' million	Sub-total RMB' million	Total RMB' million
96	(27)	843	64	18,527	37,811	2,898	–	3,051	1,162	7,111	44,922
–	–	–	–	788	788	174	61	316	428	979	1,767
–	–	–	–	–	(59)	–	–	–	–	–	(59)
–	(2)	–	–	–	(2)	–	–	–	–	–	(2)
–	26	–	–	–	26	–	–	–	–	–	26
–	(5)	–	–	–	(5)	–	–	–	–	–	(5)
–	–	–	–	2	2	–	–	–	–	–	2
–	19	–	–	790	750	174	61	316	428	979	1,729
–	–	–	–	–	4	–	–	–	–	–	4
–	–	–	–	83	–	–	–	–	–	–	–
–	–	–	–	–	8	–	–	–	–	–	8
–	–	–	–	–	–	–	1,376	–	–	1,376	1,376
–	–	–	–	–	–	–	(37)	–	–	(37)	(37)
–	–	–	–	–	–	–	–	–	5	5	5
–	–	(138)	–	58	(80)	–	–	–	(25)	(25)	(105)
–	–	(57)	–	–	(57)	–	–	–	47	47	(10)
–	–	9	–	–	9	–	–	–	–	–	9
–	–	115	–	–	115	–	–	–	–	–	115
–	–	–	–	–	–	–	–	–	(874)	(874)	(874)
–	–	–	–	(399)	(399)	–	–	–	–	–	(399)
(96)	–	–	–	96	–	–	–	–	–	–	–
–	–	–	–	(1,516)	(1,516)	(2,802)	–	–	4,318	1,516	–
–	–	–	–	–	–	–	–	(317)	–	(317)	(317)
–	–	–	–	–	–	(254)	–	–	–	(254)	(254)
–	–	–	–	–	–	–	(54)	–	–	(54)	(54)
–	(8)	772	64	17,639	36,645	16	1,346	3,050	5,061	9,473	46,118
–	(8)	772	64	17,639	36,645	16	1,346	3,050	5,061	9,473	46,118
–	–	–	–	1,088	1,088	–	112	337	239	688	1,776
–	–	–	–	–	(59)	–	–	–	–	–	(59)
–	5	–	–	–	5	–	–	–	–	–	5
–	3	–	–	–	3	–	–	–	–	–	3
–	343	–	–	–	343	–	–	–	–	–	343
–	(221)	–	–	–	(221)	–	–	–	–	–	(221)
–	–	–	–	4	4	–	–	–	–	–	4
–	–	–	18	–	18	–	–	–	–	–	18
–	–	–	(4)	–	(4)	–	–	–	–	–	(4)
–	130	–	14	1,092	1,177	–	112	337	239	688	1,865
–	–	–	–	–	3	–	–	–	–	–	3
–	–	–	–	–	9	–	–	–	–	–	9
–	–	–	–	90	–	–	–	–	–	–	–
–	–	(3)	–	–	(3)	–	–	–	(19)	(19)	(22)
–	–	(115)	–	–	(115)	–	–	–	110	110	(5)
–	–	–	–	–	–	–	–	–	(41)	(41)	(41)
–	–	–	–	–	–	–	–	–	(941)	(941)	(941)
–	–	–	–	(266)	(266)	–	–	–	–	–	(266)
–	–	–	–	–	–	–	–	(341)	–	(341)	(341)
–	–	–	–	–	–	–	(113)	–	–	(113)	(113)
–	–	–	–	–	–	(15)	–	–	–	(15)	(15)
–	–	–	–	–	–	–	–	–	5	5	5
–	122	654	78	18,555	37,450	1	1,345	3,046	4,414	8,806	46,256

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 RMB'million	2015 RMB'million
Operating activities			
Profit before taxation		4,635	4,088
Adjustments for:			
Depreciation of property, plant and equipment		141	126
Net foreign exchange difference		(9)	49
Share of losses of associates and joint ventures		289	314
Loss on disposal of property, plant and equipment		19	3
Finance costs, inclusive of exchange differences		2,495	2,619
Interest income		(303)	(302)
Gain on investment properties disposed of		(476)	(3,174)
Increase in fair value of the remaining investment properties		(1,176)	(2,970)
Equity-settled share-based payment expenses		3	4
Share award expenses		9	8
Increase in fair value of call option to buy back an investment property		(10)	(450)
Gain on disposal of investment properties		(7)	(15)
Bargain purchase gain on acquisition of subsidiaries		(369)	–
Gain on deemed disposal of a joint venture		(498)	–
Fair value loss on other derivative financial instruments		101	126
Impairment loss on properties held for sale and properties under development for sale		–	292
Impairment loss on property, plant and equipment		49	–
Loss on sales of beneficial interest in certain properties		13	–
Remeasurement of defined benefit liabilities		(4)	(6)
Fair value loss on remeasurement of liabilities under rental guarantee arrangements		227	439
Operating cash flows before movements in working capital		5,129	1,151
Increase in accounts receivable, deposits and prepayments		(700)	(1,778)
Decrease (increase) in inventories of properties		4,559	(4,363)
(Increase) decrease in restricted bank deposits from property sales		(457)	281
Decrease in amounts due from related companies		39	51
Increase in amounts due to related companies		2	70
Decrease (increase) in amounts due from joint ventures		15	(21)
Decrease in amounts due from associates		13	25
(Decrease) increase in amounts due to non-controlling shareholders of subsidiaries		(3)	2
Decrease (increase) in amounts due from customers for contract work		6	(13)
Increase in accounts payable, deposits received and accrued charges		4,236	4,893
Cash generated from operations		12,839	298
Tax paid		(1,802)	(1,188)
Net cash from (used in) operating activities		11,037	(890)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 RMB'million	2015 RMB'million
Investing activities			
Interest received		144	104
Purchase of property, plant and equipment		(138)	(380)
Proceeds from disposal of property, plant and equipment		5	4
Additions to investment properties		(637)	(2,582)
Proceeds from disposal of investment properties, net of transaction costs		60	6,003
Acquisition of subsidiaries	38(e)	–	(118)
Proceeds from disposal of hotel under development in prior year		193	714
Advances to associates		(808)	(842)
Repayments from associates		765	392
Advances to related companies		(158)	(1,138)
Repayments from related companies		35	1,022
Net cash inflow on disposals of subsidiaries	38(b),(c)	3,633	–
Net cash outflow on sales of beneficial interest in certain properties		(13)	–
Withdrawal of pledged bank deposits		2,323	2,146
Placement of pledged bank deposits		(3,720)	(1,937)
Acquisition of additional interests in a joint venture and shareholders' loan	38(a)	50	(992)
Placement of restricted bank deposits		(112)	–
Release of restricted bank deposits		2,720	100
Placement of restricted bank deposits solely for the purpose of the acquisition of equity interests in a subsidiary	21	–	(1,013)
Advance to a joint venture		–	(43)
Repayment from non-controlling shareholders of subsidiaries		–	32
Net cash from investing activities		4,342	1,472
Financing activities			
Payments made under rental guarantee arrangements		(340)	(280)
Capital injected by non-controlling shareholders of subsidiaries		5	5
Cash outflow from acquisition of additional interests in subsidiaries	38(f), (g)	–	(187)
New bank and other borrowings raised		12,345	16,861
Repayment of bank and other borrowings		(17,820)	(11,474)
Settlement for derivative financial instruments designated as cash flow hedge		–	(159)
Issue of senior notes	29	1,653	–
Repayment of senior notes	29	–	(5,157)
Expenditure incurred on issue of senior notes		(5)	–
Issue of convertible perpetual capital securities	31	–	1,376
Expenditure incurred on issue of convertible perpetual capital securities	31	–	(37)
Settlement of convertible bonds	36	–	(443)
Interest paid		(3,262)	(3,633)
Advances from related companies		100	–
Redemption of restricted bank deposits solely for the purpose of repayment of senior notes		–	1,224
Payment of dividends		(266)	(399)
Distribution to owners of convertible perpetual securities		(15)	(254)
Distribution to owners of convertible perpetual capital securities		(113)	(54)
Distribution to owners of perpetual capital securities		(341)	(317)
Dividend payment to non-controlling shareholders of subsidiaries		(941)	(874)
Net cash used in financing activities		(9,000)	(3,802)
Net increase (decrease) in cash and cash equivalents		6,379	(3,220)
Cash and cash equivalents at the beginning of the year		3,360	6,668
Effect of foreign exchange rate changes		(86)	(88)
Cash and cash equivalents at the end of the year		9,653	3,360
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		9,653	3,344
Bank balances and cash included in assets classified as held for sale		–	16
		9,653	3,360

1. GENERAL

Shui On Land Limited (the "Company") was incorporated on 12 February 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 4 October 2006. The Directors of the Company consider that its ultimate holding company is Shui On Company Limited ("SOCL"), a private limited liability company incorporated in the British Virgin Islands ("BVI") and its ultimate controlling party is Mr. Vincent H.S. Lo, who is also the Chairman and Executive Director of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 49. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

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

2A. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Application of amendments to IFRSs

In the current year, the Group has applied, for the first time, the following amendments to IFRSs that are mandatorily effective for annual periods beginning on 1 January 2016:

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

The application of these 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.

New and amendments to IFRSs and new IFRIC in issue but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
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 15	Clarification to IFRS 15 Revenue from Contracts with Customers[1]
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 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

2A. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

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 measured 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, the Directors of the Company anticipate that the application of IFRS 9 is not likely to have a material impact on the Group's financial performance and position. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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 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. The Directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

2A. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

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 flows, 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 and operating cash flows, respectively.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and 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 2016, the Group has non-cancellable operating lease commitments of RMB128 million as disclosed in note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence 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 upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors of the Company complete a detailed review.

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.

2B. NEW ACCOUNTING POLICY

During the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2016, the Directors of the Company reassessed the Group's revenue recognition policy under the new strategy of selling properties under development for sale. Previously this had seldom occurred but the Group anticipates in the future this will happen more frequently and become part of the normal course of business. Accordingly, a new accounting policy has been adopted by the Group to apply to such transactions, as described in Note 3 "Revenue Recognition".

In accordance with this newly adopted accounting policy, revenue from the sale of properties under development for sale amounting to RMB1,842 million and the related cost of sales amounting to RMB1,846 million were recognised at the completion date of the sale and purchase agreement during the year ended 31 December 2016 set out in note 38(c). In the interim financial report of the Group for the six months ended 30 June 2016, this transaction was accounted as disposal of a subsidiary based on its legal form, and a loss on disposal of a subsidiary of RMB15 million was recognised in profit or loss. In accordance with the requirements set out in IAS 34 *Interim Financial Reporting*, the new accounting policy adopted by the Group is applied for the first time in the annual consolidated financial statements of the Group for the year ended 31 December 2016 by restating the interim financial statements in order to ensure that the accounting policy is applied consistently throughout the entire year to all transactions belonging to this particular class.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and derivative financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the shareholders of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses (that are not under common control) are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Cost incurred for investment properties under construction or development comprises development expenditure including professional charges directly attributable to the development and borrowing costs, and these costs are capitalised as part of the carrying amount of the investment properties under construction or development during the development period.

Subsequent to initial recognition, investment properties, including completed investment properties and certain investment properties under construction or development, are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

In circumstances where the fair values of investment properties under construction or development are not reliably determinable, such investment properties under construction or development are measured at cost less impairment, if any, until when their fair values become reliably determinable, which occur upon finalisation of the development plan, at which point in time the land and relocation costs and construction costs attributable to the investment property portion is reliably determinable.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the property) is included in the profit or loss in the period in which the property is derecognised.

Properties under construction or development are transferred from inventories to investment properties when and only when there is evidence that substantiates the change in use. Properties held for sale are transferred to investment properties when there is a commencement of operating lease. At the date of transfer, any difference between the fair value of the properties and their carrying amount is recognised in profit or loss.

Owner-occupied properties are transferred to investment properties when and only when there is a change in use evidenced by end of owner occupation. At the date of transfer, the properties are measured at their fair value, with any gain being recognised in other comprehensive income and accumulated in "property revaluation reserve", which will not be reclassified to profit or loss at the time of disposal (it will instead be transferred to retained earnings at the time of disposal), while with any loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

Transfer from investment properties to property, plant and equipment will be made when there is a change in use evidenced by commencement of owner occupation. The fair value at the date of transfer becomes the deemed cost for subsequent accounting as property, plant and equipment.

Transfer from investment properties under development to properties under development for sale will be made when there is a change in use evidenced by the commencement of development with a view to sale for a transfer from investment properties to properties under development for sale.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Investment properties classified as held for sale are measured using the fair value model in accordance with IAS 40 *Investment Property*.

Property, plant and equipment

Property, plant and equipment, other than hotels under development, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Hotels under development held for owner's operation are stated at cost less subsequent accumulated impairment losses, if any. Cost comprises development expenditure including professional charges directly attributable to the development and borrowing cost capitalised during the development period. No depreciation is provided on the cost of hotels under development until hotels commence operation.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than hotels under development, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments

Prepaid lease payments for leasehold land classified as operating leases are charged to the profit or loss on a straight-line basis over the period of the land use rights.

Properties under development for sale

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets. Cost includes the costs of land (including relocation costs), development expenditure incurred and, where appropriate, borrowing costs capitalised during construction period. Net realisable value is determined based on prevailing market conditions.

Properties under development for sales are transferred to properties held for sale upon completion of development activities, which is when the relevant completion certificates are issued by the respective government authorities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the properties held for sale. Net realisable value is determined based on prevailing market conditions.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets that include loans to associates, loans to joint ventures, accounts receivable, amounts due from associates, amounts due from related companies, amounts due from joint ventures, pledged bank deposits, restricted bank deposits, and bank balances and cash are categorised as loans and receivables in accordance with IAS 39. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using an effective interest method at the end of each subsequent period.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables (see note 19), assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (continued)

If, in a subsequent period, the amount of impairment loss of loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

A financial instrument issued by a group entity, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received.

A non-derivative contract that will or may oblige the Group to deliver a fixed number of a group entity's own ordinary shares (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity. A derivative contract that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of a group entity's own equity instruments (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity.

Perpetual capital securities, convertible perpetual securities and convertible perpetual capital securities issued by the Group that have the above characteristics are classified as equity instruments.

Compound financial instruments – Convertible bonds

The component parts of the convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments (subject to anti-dilutive adjustments) is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method (see below) until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compound financial instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at amortised cost

The Group's financial liabilities (including accounts payable, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, senior notes, and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of "hedge reserve". The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in "finance costs". Amounts previously recognised in other comprehensive income and accumulated in "hedge reserve" are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in "hedge reserve" at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial guarantee contracts

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

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Modification of terms of financial liabilities

When the terms of a debt instrument issued by the Group are substantially different (e.g. the issuance of a new debt instrument to the holders in exchange for the existing debt instruments with substantially different terms), such a transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with the difference between the carrying amount of the financial liability extinguished and the fair value of the financial liability recognised in profit or loss. Related transaction costs are recognised in profit or loss when they are incurred.

When an exchange or a change in terms of a financial liability is not accounted for an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over remaining terms of the modified liability.

Both qualitative and quantitative factors are considered in determining whether an exchange or a change in terms of a financial liability is an extinguishment. Specifically, the terms are substantially different and hence the transaction is treated as an extinguishment if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Contingent rents are recorded as income in the periods in which they are earned.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies under "Hedge accounting" above).

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "exchange reserve" (attributed to non-controlling interests as appropriate).

Equity-settled share-based payment transactions

Share options granted to employees (including Directors of the Company)

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, such that the cumulative expenses reflects the revised estimates, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payment transactions (continued)

Share awards granted to employees (including Directors of the Company)

For share award schemes, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's shares held for the share award scheme, if any, is recorded as treasury shares (shares held for share award scheme). At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to retained profits.

At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on the best available estimate of the management. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item "retirement benefits costs".

The retirement benefit obligation recognised in the consolidated statement of financial position includes the actual deficit or surplus in the Group's defined benefit plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the course of ordinary activities of the Group, net of discounts and sales related taxes.

Revenue from sale of properties in the course of ordinary activities of the Group is recognised when the properties are delivered and the significant risks and rewards of ownership have been transferred to the buyer, provided that at that stage it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably and provided that the Group maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the land and other properties sold.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from hotel operations is recognised when the relevant services are provided.

Property management fee income and rental related income are recognised in profit or loss when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing above.

Construction contracts

Where the outcome of a construction and building maintenance contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction and building maintenance contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that probably will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under accounts receivable, deposits and prepayments.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Significant influence over Richcoast Group Limited ("Richcoast") and its subsidiaries (the "Richcoast Group")

Richcoast Group is considered as an associate of the Group although the Group owns 61.54% equity interest in Richcoast. The Group only has significant influence over Richcoast by virtue of its contractual right to appoint four out of ten directors to the Board of Directors of Richcoast. Details are set out in note 17.

Perpetual capital securities and convertible perpetual capital securities

Pursuant to the terms of the Perpetual Capital Securities (as defined in note 32) and Convertible Perpetual Capital Securities (as defined in note 31), a subsidiary of the Company, as an issuer of the Perpetual Capital Securities and Convertible Perpetual Capital Securities, can at its option redeem the Perpetual Capital Securities and Convertible Perpetual Capital Securities and at its discretion defer distributions on the Perpetual Capital Securities and Convertible Perpetual Capital Securities. However, in those cases, the Company and the issuer will not be able to declare or pay any dividends to their ordinary shareholders if any distributions on the Perpetual Capital Securities and Convertible Perpetual Capital Securities are unpaid or deferred. In the opinion of the Directors of the Company, this restriction does not result in the Group having the obligation to redeem the Perpetual Capital Securities and Convertible Perpetual Capital Securities or to pay distributions on the Perpetual Capital Securities and Convertible Perpetual Capital Securities. Accordingly, the Perpetual Capital Securities and Convertible Perpetual Capital Securities are classified as equity instruments. As at 31 December 2016, the carrying amounts of the Perpetual Capital Securities and Convertible Perpetual Capital Securities are RMB3,046 million (2015: RMB3,050 million) and RMB1,345 million (2015: 1,346 million), respectively.

Deferred taxation on investment properties

In measuring the Group's deferred taxation on certain investment properties measured at fair value, the Directors of the Company have determined that the presumption that the carrying amounts of these investment properties measured using the fair value model were recovered entirely through sales was not rebutted. The Directors of the Company have considered whether additional land appreciation tax ("Land Appreciation Tax") is required regarding potential asset transfer. After assessment, the Directors of the Company have concluded that the deferred tax liabilities recognised are adequate.

Key sources of estimation uncertainty

The following and those disclosed in note 43(b) are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

The Group's certain assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of the reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations will be reported to the Directors of the Company for appropriate actions to be taken.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed in notes 13, 30, 33, 34 and 47(c).

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Liabilities arising on rental guarantee arrangements

As disclosed in note 34, the Group disposed of certain properties in prior years. As part of these disposals, the Group agreed to provide the purchasers of these properties with rental guarantees, which are based on the excess of 8% of the consideration received by the Group over the net operating income to be generated by the properties. In measuring the fair value of the liabilities arising on these rental guarantee arrangements, the Group has prepared budgets regarding how much rental income can be generated from these properties. As of 31 December 2016, the Group has recognised liabilities arising on rental guarantee arrangements amounting to RMB599 million (2015: RMB690 million), which, in the opinion of Directors of the Company, is the best estimate of the outstanding amount taking into account the forecasted unit rental and occupancy rate. Where there are significant changes to the estimates, the Group's liabilities would increase or decrease with the corresponding adjustment being made to the profit or loss.

Fair value of a call option to buy back an investment property disposed of in previous years

In previous years, the Group disposed of an investment property through disposal of the equity interest in a subsidiary. Based on the relevant sale and purchase agreement entered into in previous years, the Group was granted a call option which enables the Group to buy back the equity interest in that subsidiary within two months prior to five years or seven years after the date of disposal (i.e. 18 December 2013) at a consideration equals to the sum of (i) the consideration received by the Group for the disposal and (ii) return of 9% per annum. As at 31 December 2016, the fair value of the call option was estimated to be approximately RMB460 million (2015: RMB450 million) with reference to the fair value of similar properties within the same locality as at that date. The Group has engaged an independent valuer to estimate the fair value of the option as at 31 December 2016. Details of the methodology and assumptions are disclosed in note 33. The fair value of the option was included in the "derivative financial instruments" line item of the Group's consolidated statement of financial position as at 31 December 2016. In the opinion of the Directors of the Company, the methodology and assumptions used in estimating the fair value of the option as at 31 December 2016 were appropriate and reasonable. If the call option is not exercised in subsequent years or when the fair value of underlying property decreases, the Group will recognise a loss in the profit and loss in subsequent years.

Land Appreciation Tax

The Group is subject to Land Appreciation Tax in the People's Republic of China (the "PRC"). However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and the Group has not finalised its Land Appreciation Tax calculation and payments with local tax authorities for all land lots in the PRC. Accordingly, significant judgement is required in determining the amount of the Land Appreciation Tax and its related income tax provisions. The Group recognised the Land Appreciation Tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

Estimated impairment of inventories

Properties under development for sale and properties held for sale are stated at lower of the cost and net realisable value. The net realisable value is the estimated selling price of the completed units (based on the current prevailing market conditions) less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information and valuation performed by independent professional valuers. The Group had recognised an impairment loss amounting to RMB292 million during the year ended 31 December 2015. No further impairment loss is recognised in the consolidated statement of profit or loss for the year ended 31 December 2016. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the properties under development for sale and properties held for sale in the consolidated statement of profit or loss.

5. TURNOVER AND SEGMENTAL INFORMATION

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

	2016			2015		
	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	15,604	287	15,891	4,380	146	4,526
Property investment:						
Rental income received from investment properties	1,474	49	1,523	1,428	21	1,449
Income from hotel operations	78	–	78	73	–	73
Property management fee income	26	–	26	50	–	50
Rental related income	138	–	138	61	–	61
	1,716	49	1,765	1,612	21	1,633
Construction	222	–	222	424	–	424
Others	58	–	58	56	–	56
Total	17,600	336	17,936	6,472	167	6,639

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

Property development segment and property investment segment combine various operating segments in respect of the Group's operations in Shanghai, Chongqing, Wuhan and Foshan, the PRC, on the basis that the products and services delivered to the customers are similar.

Included in the Group's property sales of RMB15,604 million (2015: RMB4,380 million) is revenue arising from sales of residential properties of RMB13,725 million (2015: RMB2,497 million), commercial properties of RMB1,412 million (2015: RMB1,621 million) and others of RMB467 million (2015: RMB262 million).

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

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
Net unallocated expenses						(286)
Profit before taxation						4,635
Taxation						(2,859)
Profit for the year						1,776
Other Information						
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions of completed investment properties and property, plant and equipment	57	94	–	151	–	151
Development costs for investment properties under construction or development	–	998	–	998	–	998
Depreciation of property, plant and equipment	64	77	–	141	–	141
Gain on investment properties disposed of	–	476	–	476	–	476
Increase in fair value of the remaining investment properties	–	1,176	–	1,176	–	1,176
Financial Position						
Assets						
Segment assets	39,136	59,626	277	99,039	20	99,059
Interests in associates						379
Interests in joint ventures						27
Loans to associates						1,865
Loans to joint ventures						756
Amounts due from associates						2,156
Amounts due from related companies						808
Amounts due from joint ventures						6
Unallocated corporate assets						17,157
Consolidated total assets						122,213
Liabilities						
Segment liabilities	15,422	2,069	394	17,885	1	17,886
Unallocated corporate liabilities						58,071
Consolidated total liabilities						75,957

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

For the year ended 31 December 2015

	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	4,380	1,612	424	6,416	56	6,472
Share of turnover of associates	146	21	–	167	–	167
Total segment revenue	4,526	1,633	424	6,583	56	6,639
Segment Results						
Segment results of the Group	207	7,367	(40)	7,534	149	7,683
Interest income						302
Share of losses of associates and joint ventures						(314)
Finance costs, inclusive of exchange differences						(2,619)
Other gains and losses						(573)
Net unallocated expenses						(391)
Profit before taxation						4,088
Taxation						(2,321)
Profit for the year						1,767
Other Information						
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions of completed investment properties and property, plant and equipment	132	419	–	551	–	551
Development costs for investment properties under construction or development	–	4,280	–	4,280	–	4,280
Depreciation of property, plant and equipment	67	54	–	121	5	126
Gain on investment properties disposed of	–	3,174	–	3,174	–	3,174
Increase in fair value of the remaining investment properties	–	2,970	–	2,970	–	2,970
Financial Position						
Assets						
Segment assets	32,728	64,471	307	97,506	2	97,508
Interests in associates						562
Interests in joint ventures						27
Loans to associates						1,962
Loans to joint ventures						2,912
Amounts due from associates						1,878
Amounts due from related companies						724
Amounts due from joint ventures						21
Unallocated corporate assets						11,576
Consolidated total assets						117,170
Liabilities						
Segment liabilities	9,801	4,866	487	15,154	2	15,156
Unallocated corporate liabilities						55,896
Consolidated total liabilities						71,052

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

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

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 increase 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.

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, interests in joint ventures, loans to associates, loans to joint ventures, amounts due from associates, amounts due from joint ventures, amounts due from related companies, deferred tax assets, derivative financial instruments, pledged bank deposits, restricted bank deposits, bank balances and cash and other unallocated corporate assets; and

- all liabilities are allocated to reportable segments other than amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, tax liabilities, deferred tax liabilities, derivative financial instruments, defined benefit liabilities, bank and other borrowings, senior notes and other unallocated corporate liabilities.

Over 90% of the Group's turnover and contribution to operating profit is attributable to customers in the PRC for both years. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Group's non-current assets is shown as the assets are substantially located in the PRC.

During the year ended 31 December 2016, a customer contributed RMB1,842 million to the turnover of the Group in respect of the property development segment. During the year ended 31 December 2015, a customer contributed RMB884 million to the turnover of the Group in respect of the property development segment.

6. OTHER INCOME, OTHER GAINS AND LOSSES

	2016 RMB'million	2015 RMB'million
Other income		
Interest income from banks	102	62
Interest income from amounts due from associates (notes 17 and 44)	42	76
Interest income from loans to associates (notes 17 and 44)	36	82
Imputed interest income from loans to associates (notes 17 and 44)	56	41
Interest income from loans to joint ventures (notes 18 and 44)	42	41
Imputed interest income from disposal of a subsidiary	25	–
Grants received from local government (note (a))	249	109
Others	28	26
	580	437
Other gains and (losses)		
Loss arising from rental guarantee arrangements (note 34)	(227)	(439)
Increase in fair value of call option to buy back an investment propery (note 33)	10	450
Fair value loss on other derivative financial instruments (notes 30 and 33)	(101)	(126)
Bargain purchase gain on acquisition of subsidiaries (note 38(a))	369	–
Gain on deemed disposal of a joint venture (note 38(a))	498	–
Loss on termination of sales of beneficial interest in certain properties (note (b))	(13)	–
Impairment loss on property, plant and equipment (note 14)	(49)	–
Others	8	(8)
	495	(123)

Notes:

(a) The government grants mainly represent refund of business taxes and deed taxes from the local government during the year.

(b) The Group has disposed of the right to receive the net proceeds from the sales of the Group's certain properties under development for sales to an independent third party (the "Purchaser") in June 2016 (the "disposal deal"). Upon the completion of the disposal deal, the Group has transferred the significant risks and rewards associated with the relevant properties to the Purchaser. Due to certain unforeseeable events, the disposal deal was subsequently terminated on 31 October 2016 and a loss on termination of sales of beneficial interest of RMB13 million was recognised during the year ended 31 December 2016.

7. OPERATING PROFIT

	2016 RMB'million	2015 RMB'million
Operating profit has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit services	6	6
Depreciation of property, plant and equipment	141	126
Release of prepaid lease payments	–	3
Less: Amount capitalised to property, plant and equipment	–	(3)
	–	–
Loss on disposal of property, plant and equipment	19	3
Employee benefits expenses		
Directors' emoluments		
Fees	2	2
Salaries, bonuses and allowances	23	23
	25	25
Other staff costs		
Salaries, bonuses and allowances	576	572
Retirement benefits costs	53	64
Share option expenses	3	4
Share award expenses	9	8
	641	648
Total employee benefits expenses	666	673
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	(139)	(163)
	527	510
Cost of properties sold recognised as an expense	10,892	3,628
Minimum lease payments under operating leases	32	30
Impairment loss on properties held for sale and properties under development for sale (included in "cost of sales")	–	292

8. FINANCE COSTS, INCLUSIVE OF EXCHANGE DIFFERENCES

	2016 RMB'million	2015 RMB'million
Interest on bank and other borrowings	1,824	2,085
Imputed interest of deferred consideration in relation to acquisition of subsidiaries	235	–
Imputed interest of deferred consideration in relation to disposal of a subsidiary	58	–
Interest on senior notes (note 29)	1,424	1,405
Net interest expense from interest rate swaps designated as cash flow hedges	6	8
Imputed interest on loans from non-controlling shareholders of subsidiaries	–	5
Interest on convertible bonds (note 36)	–	34
Net interest expense from cross currency swaps designated as cash flow hedges	–	42
Total interest costs	3,547	3,579
Exchange loss on bank borrowings	–	32
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	(1,982)	(2,185)
Interest expense charged to profit or loss	1,565	1,426
Net exchange loss on bank borrowings and other financing activities	895	1,156
Others	35	37
	2,495	2,619

Borrowing costs capitalised during the year were calculated by applying a capitalisation rate of approximately 5.2% (2015: 6.6%) per annum to expenditure on the qualifying assets.

9. TAXATION

	2016 RMB'million	2015 RMB'million
PRC Enterprise Income Tax		
– Current provision	1,393	956
PRC Withholding Tax		
– Current provision	5	23
PRC Land Appreciation Tax		
– Provision for the year	1,323	271
Deferred taxation (note 35)		
– Provision for the year	138	1,071
	2,859	2,321

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 ("Mauritius"), which are the beneficial owners of the dividend received. As at 31 December 2016 and 31 December 2015, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

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. TAXATION (CONTINUED)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2016 RMB'million	2015 RMB'million
Profit before taxation	4,635	4,088
PRC Enterprise Income Tax at 25%	1,159	1,022
PRC Land Appreciation Tax	1,323	271
Tax effect of PRC Land Appreciation Tax	(331)	(68)
Deferred tax provided for withholding tax on income derived in the PRC	130	13
Deferred tax provided for PRC Land Appreciation Tax in respect of investment properties	51	(2)
Tax effect of share of losses of associates and joint ventures	72	79
Tax effect of expenses not deductible for tax purposes	442	806
Tax effect of income not taxable for tax purposes	(75)	(183)
Tax effect of tax losses not recognised	89	51
Tax effect of utilisation of tax losses previously not recognised	(1)	–
Additional income tax arising on disposals of subsidiaries (note)	–	332
Tax charge for the year	2,859	2,321

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

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

Name of Director	Notes	Fees RMB'000	Salaries RMB'000	Allowances RMB'000	Performance related incentive payments-cash bonus RMB'000	Retirement benefit costs RMB'000	Share-based payment expenses RMB'000	2016 Total RMB'000	2015 Total RMB'000
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–	–	–
Mr. Frankie Y.L. WONG	(b)	–	1,475	401	13,886	–	–	15,762	2,918
Mr. Douglas H.H. SUNG	(c)	–	3,960	2,918	430	–	91	7,399	–
Mr. Daniel Y.K. WAN	(d)	–	–	–	–	–	–	–	10,801
Mr. Philip K.T. WONG	(e)	–	–	–	–	–	–	–	9,083
Sir John R.H. BOND	(f)	343	–	–	–	–	–	343	322
Dr. William K.L. FUNG	(f)	386	–	–	–	–	–	386	362
Professor Gary C. BIDDLE	(f)	514	–	–	–	–	–	514	483
Dr. Roger L. McCARTHY	(f)	343	–	–	–	–	–	343	322
Mr. David J. SHAW	(f)	343	–	–	–	–	–	343	282
Mr. Anthony John Liddell NIGHTINGALE	(g)	300	–	–	–	–	–	300	–
Total for 2016		2,229	5,435	3,319	14,316	–	91	25,390	24,573
Total for 2015		1,952	8,902	8,091	5,516	112	–	24,573	

Notes:
(a) An executive director and the chairman of the Company
(b) Appointed as an executive director of the Company effective from 26 June 2015. Mr. Frankie Y.L. WONG was a non-executive director of the Company before the appointment and re-designated as a non-executive director effective from 1 January 2017
(c) An executive director of the Company appointed effective from 4 January 2016
(d) An executive director of the Company resigned effective from 31 July 2015
(e) An executive director of the Company resigned effective from 26 June 2015
(f) Independent non-executive directors of the Company
(g) An independent non-executive director of the Company appointed effective from 1 January 2016

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The five highest paid employees of the Group during the year included two directors (2015: two directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are not a director of the Company are as follows:

	2016 RMB'million	2015 RMB'million
Salaries	8	7
Allowance	6	6
Performance related incentive payments	2	1
Retirement benefit costs	3	3
Share award expenses	2	1
	21	18

The emoluments of the remaining highest paid employees were within the following bands:

	2016 Number of employees	2015 Number of employees
Emolument bands		
HK$7,000,001 – HK$7,500,000	1	2
HK$7,500,001 – HK$8,000,000	1	–
HK$8,000,001 – HK$8,500,000	–	1
HK$9,500,001 – HK$10,000,000	1	–
	3	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Certain executive directors of the Company are entitled to cash bonus payments which are determined based on the Group's and directors' personal performance.

During the year, a director of the Company and employees were granted share options in respect of their services provided to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 40.

11. DIVIDENDS

	2016 RMB'million	2015 RMB'million
Dividends recognised as distribution during the year:		
Interim dividend paid in respect of 2016 of HK$0.011 per share (2015: Interim dividend paid in respect of 2015 of HK$0.022 per share)	76	146
Final dividend paid in respect of 2015 of HK$0.028 per share (2015: Final dividend paid in respect of 2014 of HK$0.04 per share)	190	253
	266	399

A final dividend for the year ended 31 December 2016 of HK$0.039 (equivalent to RMB0.035 translated using the exchange rate of 0.89451 as at 31 December 2016) per share, amounting to HK$314 million (equivalent to RMB281 million translated using the exchange rate of 0.89451 as at 31 December 2016) in aggregate, was proposed by the Directors of the Company on 22 March 2017 and is subject to the approval of the shareholders at the forthcoming annual general meeting. Subject to the approval of the shareholders and The Stock Exchange of Hong Kong Limited, the proposed final dividend will be payable in the form of cash and shareholders will be given the option to elect to receive their final dividend in new, fully paid shares in lieu of all or part of cash.

12. 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

	2016 RMB'million	2015 RMB'million
Earnings for the purposes of basic earnings per share, being profit for the year attributable to shareholders of the Company	1,088	788
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual securities (note (c))	–	(348)
Earnings for the purposes of diluted earnings per share	1,088	440

Number of shares

	2016 'million	2015 'million
Weighted average number of ordinary shares for the purpose of basic earnings per share (note (a))	8,002	8,002
Effect of dilutive potential ordinary shares:		
Outstanding share awards	17	16
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,019	8,018
Basic earnings per share (note (b))	RMB0.14 HK$0.16	RMB0.10 HK$0.12
Diluted earnings per share (note (b))	RMB0.14 HK$0.16	RMB0.05 HK$0.06

Notes:

(a) The weighted average number of ordinary shares shown above have been arrived at after deducting 24,854,000 shares held by a share award scheme trust as set out in note 40.

(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 HK$1.167 for 2016 and RMB1.000 to HK$1.242 for 2015, being the average exchange rates that prevailed during the respective years.

(c) Most of the convertible perpetual securities were converted into ordinary shares of a subsidiary of the Company during the year ended 31 December 2015 (see note 30). The adjustment to earnings that were attributable to the convertible perpetual securities relates to the instruments which were in issue during the year ended 31 December 2015.

(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 year ended 31 December 2016 and 2015.

(e) During the year ended 31 December 2016 and 2015, there were no dilution effect for the convertible perpetual capital securities (note 31) 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.

13. INVESTMENT PROPERTIES

	Completed investment properties RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Total RMB'million
At 1 January 2015	33,804	11,458	12,900	58,162
Additions	3	2,301	1,979	4,283
Acquisition of a subsidiary (note 38(e))	168	–	–	168
Disposal of subsidiaries (note 38(d))	(6,449)	–	–	(6,449)
Disposals	(106)	–	–	(106)
Transfer upon completion	10,536	(8,060)	(2,476)	–
Transfer to property, plant and equipment (note 14)	–	(603)	–	(603)
Transfer from properties held for sale	1,599*	–	–	1,599
Transfer to assets held for sale	(5,700)	–	–	(5,700)
Increase in fair value of investment properties disposed of (note 38(d))	1,644	–	–	1,644
Increase in fair value of the remaining properties recognised in profit or loss	2,062	540	–	2,602
At 31 December 2015	37,561	5,636	12,403	55,600
At 31 December 2015				
– Stated at fair value	37,561	5,636	–	43,197
– Stated at cost	–	–	12,403	12,403
At 1 January 2016	37,561	5,636	12,403	55,600
Additions	13	738	260	1,011
Disposal of a subsidiary (note 38(c))	–	–	(76)	(76)
Disposals	(53)	–	–	(53)
Transfer upon completion	3,318	(3,318)	–	–
Transfer from property, plant and equipment and prepaid lease payment (notes 14 and 15)	519**	–	–	519
Transfer to property, plant and equipment (note 14)	(50)	–	–	(50)
Transfer to properties under development for sale (note 16)	–	–	(1,031)	(1,031)
Transfer to asset held for sale (note 39)	(476)	–	–	(476)
Increase in fair value of the remaining properties recognised in profit or loss	1,233	(57)	–	1,176
At 31 December 2016	42,065	2,999	11,556	56,620
At 31 December 2016				
– Stated at fair value	42,065	2,999	–	45,064
– Stated at cost	–	–	11,556	11,556

* During the year ended 31 December 2015, certain properties held for sale with a carrying amount of RMB1,231 million had been transferred to completed investment properties upon the change in their uses, evidenced by commencement of operating lease. At the date of transfer, the difference amounting to RMB368 million between the fair value of properties amounting to RMB1,599 million and the carrying amount of the properties was recognised in profit or loss for the year ended 31 December 2015.

** During the year ended 31 December 2016, certain self-use properties and related prepaid lease payments with carrying amount of RMB409 million and RMB92 million, respectively were transfer to completed investment properties upon the change in use of the properties evidenced by commencement of leasing agreement for the properties to generate rental income. At the date of transfer, the gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties amounting to RMB18 million was recognised in other comprehensive income.

13. INVESTMENT PROPERTIES (CONTINUED)

All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

The Group is in the process of obtaining land use rights certificates in respect of investment properties under construction or development with the aggregate carrying amount of RMB3,353 million (2015: RMB4,321 million). The Directors of the Company believe that the relevant land use rights certificates will be granted in due course and the absence of land use rights certificates does not impair the value of the relevant properties.

The fair values of the Group's investment properties at 31 December 2016 and 31 December 2015, and the fair values of properties at the dates of transfer to/from investment properties have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group.

For completed investment properties, the valuations have been arrived at using direct comparison method and capitalisation of net income method, where appropriate. In the valuation using capitalisation of net income method, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under construction or development that are measured at fair value, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

In estimating the fair value of the properties, the management has taken into consideration the highest and best use of the properties.

13. INVESTMENT PROPERTIES (CONTINUED)

The major inputs used in the fair value measurement of the Group's major investment properties as at 31 December 2016 and 31 December 2015 are set out below:

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Completed investment properties					
Completed investment properties located in Shanghai with an aggregate carrying amount of RMB30,665 million (2015: RMB29,994 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 3.5% to 7.5% (2015: from 3.5% to 7.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB2.6 to RMB17.3 (2015: from RMB1.8 to RMB16.8) per square metre ("sqm") per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Wuhan with an aggregate carrying amount of RMB5,463 million (2015: RMB1,645 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 4.0% to 6.0% (2015: 6%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB5.8 to RMB6.0 (2015: RMB5.6) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Foshan with an aggregate carrying amount of RMB4,172 million (2015: RMB4,102 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 3.5% to 4.75% (2015: from 4.5% to 4.75%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average ranging from RMB2.7 to RMB4.5 (2015: from RMB2.7 to RMB4.5) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Chongqing with an aggregate carrying amount of RMB1,765 million (2015: RMB1,820 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 3.0% to 5.0% (2015: 4.25% to 5.00%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB0.4 to RMB2.3 (2015: RMB1.2 to RMB2.4) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.

13. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Investment properties under construction or development that are measured at fair value					
Investment properties under construction or development located in Chongqing with an aggregate carrying amount of RMB1,993 million (2015: RMB1,949 million)	Level 3	Market-based Approach The key inputs are: (1) Gross development value; (2) Level adjustment; and (3) Developer's profit.	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB9,054 million (2015: RMB9,054 million).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
			Level adjustment on individual floor of retail portion of the property ranging from 75% to 95% (2015: 75% to 95%) on specific levels.	The higher the level adjustment, the lower the fair value.	A significant increase in level adjustment used would result in a significant decrease in fair value, and vice versa.
			Developer's profit, taking into account the comparable land transactions and progress of the property, of 13% (2015: 13%).	The higher the developer's profit, the lower the fair value.	A significant increase in developer's profit used would result in a significant decrease in fair value, and vice versa.
Investment properties under construction or development located in Wuhan with an aggregate carrying amount of RMB1,006 million (2015: RMB3,653 million)	Level 3	Market-based Approach The key inputs are: (1) Gross development value; (2) Level adjustment; and (3) Developer's profit.	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB1,799 million (2015: RMB5,544 million).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
			Level adjustment on individual floor of retail portion of the property ranging from 55% to 80% (2015: 55% to 95%) on specific levels.	The higher the level adjustment, the lower the fair value.	A significant increase in level adjustment used would result in a significant decrease in fair value, and vice versa.
			Developer's profit, taking into account the comparable land transactions and progress of the property, of 8% (2015: 2% to 12%).	The higher the developer's profit, the lower the fair value.	A significant increase in developer's profit used would result in a significant decrease in fair value, and vice versa.
Investment properties under construction or development located in Foshan with an aggregate carrying amount of nil (2015: RMB34 million)	Level 3	Market-based Approach The key inputs are: (1) Gross development value; (2) Level adjustment; and (3) Developer's profit.	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of nil (2015: RMB43 million).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
			Level adjustment on individual floor of retail portion of the property of nil (2015: 70%) on specific levels.	The higher the level adjustment, the lower the fair value.	A significant increase in level adjustment used would result in a significant decrease in fair value, and vice versa.
			Developer's profit, taking into account the comparable land transactions and progress of the property, of nil (2015: 1.0%).	The higher the developer's profit, the lower the fair value.	A significant increase in developer's profit used would result in a significant decrease in fair value, and vice versa.

There were no transfers in or out of Level 3 during both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'million	Hotel properties RMB'million	Hotels under development RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
At Cost					
At 1 January 2015	731	608	161	414	1,914
Transfer from completed investment properties (note 13)	603	–	–	–	603
Additions	–	–	248	132	380
Disposals	–	–	–	(24)	(24)
At 31 December 2015	1,334	608	409	522	2,873
Acquisition of subsidiaries (note 38(a))	–	–	–	12	12
Additions	23	–	58	57	138
Disposals	–	–	–	(55)	(55)
Transfer from completed investment properties (note 13)	50	–	–	–	50
Transfer to completed investment properties (note 13)	(29)	(385)	–	–	(414)
Impairment loss recognised	(49)	–	–	–	(49)
Transfer	95	(95)	–	–	–
Transfer upon completion	–	420	(420)	–	–
At 31 December 2016	1,424	548	47	536	2,555
Accumulated Depreciation					
At 1 January 2015	80	59	–	357	496
Charge for the year	12	42	–	72	126
Eliminated on disposals	–	–	–	(17)	(17)
At 31 December 2015	92	101	–	412	605
Charge for the year	35	42	–	64	141
Eliminated on disposals	–	–	–	(31)	(31)
Transfer to completed investment properties (note 13)	(5)	–	–	–	(5)
At 31 December 2016	122	143	–	445	710
Carrying Values					
At 31 December 2016	1,302	405	47	91	1,845
At 31 December 2015	1,242	507	409	110	2,268

The carrying amounts of owner-occupied leasehold land and buildings of RMB574 million (2015: RMB1,213 million) and hotel properties of RMB405 million (2015: RMB507 million) at the end of the reporting period included both the leasehold land and building elements in property, plant and equipment, as in the opinion of the Directors, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably. The land portions of the remaining owner-occupied properties were included in prepaid lease payments.

During the year ended 31 December 2016, the Directors of the Company conducted an impairment review on the property, plant and equipment and an impairment loss of RMB49 million was recognised with reference its estimated recoverable amount.

The above items of property, plant and equipment, except for hotels under development, are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	Over the shorter of the term of the lease, or 50 years
Hotel properties	Over the shorter of the term of the lease, or 50 years
Furniture, fixtures, equipment and motor vehicles	20% to 33 $^{1}/_{3}$%

15. PREPAID LEASE PAYMENTS

	2016 RMB'million	2015 RMB'million
At beginning of the year	128	131
Transfer to investment properties (note 13)	(92)	–
Release for the year (note 7)	–	(3)
At end of the year	36	128

The cost of prepaid lease payments represents the amount paid to the government of the PRC in respect of the land use rights held under medium term leases.

16. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2016 RMB'million	2015 RMB'million
At beginning of the year	20,102	14,684
Additions	6,042	8,304
Acquisition of subsidiaries (note 38(a))	7,760	–
Disposal of a subsidiary (note 38(c))	(1,770)	–
Transfer to properties held for sale	(11,327)	(2,699)
Transfer from investment properties under construction or development at cost (note 13)	1,031	–
Impairment loss recognised (included in "cost of sales")	–	(187)
At end of the year	21,838	20,102

Included in the properties under development for sale as at 31 December 2016 is carrying value of RMB13,825 million (2015: RMB14,387 million) which represents the carrying value of the properties expected to be realised after twelve months from the end of the reporting period.

The Group is in the process of obtaining land use rights certificates in respect of properties under development for sale with the aggregate carrying amount of RMB7,482 million (2015: RMB8,550 million). The Directors of the Company believe that the relevant land use rights certificates will be granted in due course and the absence of land use rights certificates does not impair the value of the relevant properties.

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

	Notes	2016 RMB'million	2015 RMB'million
Interests in associates			
– Cost of investments, unlisted		652	482
– Share of post-acquisition results, net of effect on elimination of unrealised interest income		(273)	80
		379	562
Loans to associates			
– Interest free	(a) (d)	871	881
– Interest bearing	(b) (d)	994	1,081
		1,865	1,962
Amounts due from associates			
– Interest free	(c) (d)	567	484
– Interest bearing	(c) (d)	1,589	1,394
		2,156	1,878

Notes:

(a) These loans to associates represent the loans to subsidiaries of Richcoast, an associate of the Group, for financing the development and operation of Dalian Tiandi project in Dalian, the PRC. The Dalian Tiandi project is an integrated mixed-use development in Dalian and it comprises office, retail, residential and hotel/service apartments. The principal activities of Richcoast are strategic to the Group's activities as the Group has determined to conduct its property development activities in Dalian through its strategic investment in Richcoast.
Pursuant to the joint venture agreement ("Joint Venture Agreement") dated 25 May 2007 entered into among the three shareholders of Richcoast, being Innovate Zone Group Limited ("Innovate Zone"), an indirect subsidiary of the Company, Main Zone Group Limited ("Main Zone"), a direct wholly-owned subsidiary of SOCAM Development Limited ("SOCAM", an associate of SOCL) and Many Gain International Limited ("Many Gain"), an independent third party, the loans are unsecured, interest-free and have no fixed terms of repayment until Many Gain has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rate of 7.29% per annum for both years.

(b) These loans to associates, representing the loans to subsidiaries of Richcoast, are unsecured, carry interest at rates ranging from 4.79% to 5.23% per annum and have no fixed terms of repayment for both years.

(c) The amounts due from subsidiaries of Richcoast are non-trade nature, unsecured, interest free and repayable on demand, except for an aggregate amount of RMB1,589 million (2015: RMB1,394 million) which carries interest at rates ranging from 4.79% to 5.23% (2015: 4.79% to 12%) per annum.

(d) The Directors of the Company expect that these loans to associates and amounts due from associates will not be repayable within twelve months from the end of the reporting period and are therefore classified as non-current assets.

Particulars of the Group's principal associates at 31 December 2016 and 31 December 2015 are as follows:

Name of associate	Form of legal entity	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Place of incorporation/ registration and operations	Principal activities
Richcoast(notes 1 and 2)	Limited liability company	61.54%	BVI	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Ruisheng Software Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Delan Software Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Jiadao Science & Technology Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Fazhan Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Kaifa Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development

Notes:

1. Pursuant to the terms of the Joint Venture Agreement, the Board of Directors of Richcoast consists of four representatives designated by Innovate Zone, three representatives designated by Main Zone, and three representatives by Many Gain. The Board is responsible for managing the business and affairs of the Richcoast Group, establishing the strategic direction, policies of, and operating procedures of the Richcoast Group, and shall decide on matters by a simple majority vote. Accordingly, the Group has significant influence over Richcoast by virtue of its contractual right to appoint four out of ten Directors to the Board of Richcoast.
2. Pursuant to the Joint Venture Agreement, Richcoast is owned as to 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone and Many Gain, respectively, for the development and operation of Dalian Tiandi project.
3. These companies are non-wholly owned subsidiaries of Richcoast.

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

The summarised consolidated financial information of Richcoast and its subsidiaries, which is prepared in accordance with IFRSs, is set out below:

	2016 RMB'million	2015 RMB'million
Current assets	5,001	4,917
Non-current assets	7,947	7,947
Current liabilities	5,877	6,446
Non-current liabilities	5,833	4,870
Net assets attributable to:		
Shareholders of Richcoast	791	1,000
Non-controlling interests	447	548
	1,238	1,548
Revenue	700	349
Loss and total comprehensive expense for the year	(569)	(599)
Attributable to:		
Shareholders of Richcoast	(468)	(484)
Non-controlling interests	(101)	(115)
	(569)	(599)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	2016 RMB'million	2015 RMB'million
Total assets less total liabilities of Richcoast	1,238	1,548
Less: Non-controlling interests in Richcoast	(447)	(548)
Equity attributable to shareholders of Richcoast	791	1,000
Proportion of the Group's ownership interest in Richcoast	61.54%	61.54%
	487	615
Elimination of unrealised interest expense capitalised as part of the cost of properties under development	(108)	(53)
Carrying amount of the Group's interest in Richcoast	379	562

18. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES/ AMOUNTS DUE FROM JOINT VENTURES

	2016 RMB'million	2015 RMB'million
Interests in joint ventures		
– Cost of investment, unlisted	30	70
– Share of post-acquisition results, net of effect on elimination of unrealised interest income	(3)	(43)
	27	27
Loans to joint ventures		
– Unsecured, interest-free and repayable on demand	–	298
– Unsecured, interest bearing at 110% of People's Bank of China ("PBOC") Prescribed Interest Rate and repayable on demand	–	1,854
– Unsecured, interest bearing at 100% of PBOC Prescribed Interest Rate and repayable in 2018	756	760
	756	2,912
Amounts due from joint ventures		
– Unsecured, interest-free and repayable on demand	6	21

During the year ended 31 December 2015, the Group exercised two options to acquire additional 20% equity interest in an existing joint venture, namely Portspin Limited and the related shareholders' loans, for an aggregate consideration of US$162 million. After the acquisition, the Group's equity interest in the joint venture has been increased from 19.3419% to 39.8624%. During the year ended 31 December 2016, the Group further acquired the remaining 60.1376% of the equity interest. Portspin Limited became the subsidiary of the Company since then. Details were set out in note 38(a).

Particulars of the Group's joint ventures at 31 December 2016 and 31 December 2015 are as follows:

Name of joint venture	Form of legal entity	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group 2016	2015	Place of incorporation/ registration and operations	Principal activities
上海永麟投資管理有限公司 Shanghai Yong Lin Investment Management Limited ("Shanghai Yong Lin")*#	Sino-Foreign Joint Venture	19.8%*	19.8%*	PRC	Property management and other activities
Portspin Limited**	Limited liability company	N/A^	39.8624%**	BVI	Investment holding
Legend City Limited***	Limited liability company	N/A^	39.8624%	Hong Kong	Investment holding
上海駿興房地產開發有限公司 ("Shanghai Junxing")***	Sino-Foreign Joint Venture	N/A^	39.0652%	PRC	Property development
大連億達德基裝飾工程有限公司	Sino-Foreign Joint Venture	50%	50%	PRC	Provision of decoration services
Hua Xia Rising (Hong Kong) Limited	Limited liability Company	50%	–	Hong Kong	Investment holding

* Pursuant to the memorandum and articles of association of Shanghai Yong Lin, the Group, through a subsidiary which the Company owns 78.11% equity interest, and the other equity owner (the "JV Partner", an independent third party which owns 80.2% equity interest in Shanghai Yong Lin) are considered to have joint control over Shanghai Yong Lin as certain major decisions that relate to the relevant activities of Shanghai Yong Lin require unanimous consent from the Group and the JV Partner.
Shanghai Yong Lin is principally engaged in the property management and other activities in respect of relocation activities in Shanghai. Its principal activities are considered as strategic to the Group's activities as the relocation activities are carried out in the vicinity of one of the Group's property projects.

** Pursuant to the joint venture agreement entered into by the Group and the joint venture partner, major decisions that relate to the relevant activities of Portspin Limited and its subsidiaries ("Portspin Group") require unanimous consent from the Group and the other joint venture partner. Portspin Group is engaged in property development in the PRC.

*** Subsidiaries of Portspin Limited

^ Upon the completion of acquisition of further equity interest in Portspin Limited in the current year (note 38(a)), Portspin Limited and its subsidiaries became the subsidiaries of the Company.

For identification only

18. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES/ AMOUNTS DUE FROM JOINT VENTURES (CONTINUED)

The summarised financial information of Shanghai Yong Lin, which is prepared in accordance with IFRSs, is set out below:

	2016 RMB'million	2015 RMB'million
Current assets	41	135
Non-current assets	2,521	2,826
Current liabilities	16	20
Non-current liabilities	2,421	2,816
Net assets	125	125

Reconciliation of the above summarised financial information to the carrying amount of the interests in Shanghai Yong Lin recognised in the consolidated financial statements:

	2016 RMB'million	2015 RMB'million
Net assets of Shanghai Yong Lin	125	125
Proportion of the Group's ownership interest in Shanghai Yong Lin	19.8%	19.8%
Carrying amount of the Group's interest in Shanghai Yong Lin	25	25

The summarised consolidated financial information of Portspin Group, which was prepared in accordance with IFRSs, is set out below:

	2015 RMB'million
Current assets	6,729
Non-current assets	26
Current liabilities	1,477
Non-current liabilities	5,165
Net assets attributable to:	
Shareholders of Portspin	50
Non-controlling interests	63
	113
Revenue	–
Loss and total comprehensive expense for the year	(37)

19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	2016 RMB'million	2015 RMB'million
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	319	184
Trade receivables	126	86
Prepayments of relocation costs (note)	292	234
	737	504
Current accounts receivable comprise:		
Trade receivables	708	806
Prepayments of relocation costs (note)	9,700	8,553
Other deposits, prepayments and receivables, mainly including prepaid business tax of RMB205 million (2015: RMB242 million)	1,003	792
Receivables from disposals of subsidiaries (note 38(b) & (c))	1,081	–
Receivable arising from disposal of a hotel	–	193
	12,492	10,344

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. 89% and 10% (2015: 86% 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 sale 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 customers.

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB834 million (2015: RMB892 million), of which 44% (2015: 64%) are aged less than 90 days, and 56% (2015: 36%) are aged over 90 days, as compared to when revenue was recognised.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB502 million (2015: RMB560 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, of which 8% (2015: 43%) are past due within 90 days, and 92% (2015: 57%) are past due over 90 days, based on the repayment terms set out in the sale 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 2016 included an advance to the government authority in Shanghai of RMB200 million (2015: 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.

20. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2016 RMB'million	2015 RMB'million
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	8,083	7,537
Less: progress billings	(7,986)	(7,434)
Analysed for reporting purposes as amounts due from contract customers	97	103

At 31 December 2016, retentions held by customers for contract works amounted to RMB21 million (2015: RMB20 million).

21. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS/BANK BALANCES

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. Deposits amounting to RMB4,024 million (2015: RMB2,008 million) have been pledged to secure long-term bank loans and are therefore classified as non-current assets.

Bank balances carry interest at market rates which range from 0.30% to 1.755% (2015: 0.30% to 1.55%) per annum. Pledged bank deposits carry interest at fixed rates which range from 0.30% to 1.15% (2015: 0.30% to 1.15%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Restricted bank deposits as at 31 December 2016 and 2015 include:

- monies placed by the Group with banks amounting to RMB1,435 million (2015: RMB866 million) which can only be applied to designated property development projects of the Group.

As at 31 December 2015, restricted bank deposits also included:

- monies placed in designated banks accounts for the settlement of tax in relation to the disposed subsidiaries amounting to RMB634 million (note 38(d));

- monies placed in designated bank accounts in respect of the disposal of subsidiaries which is completed during the year ended to 31 December 2016 amounting to RMB1,768 million (note 38(b)); and

- monies placed in a bank amounting to RMB1,013 million (equivalent to US$156 million) solely for the purposes of the acquisition of a subsidiary (note 38(a)).

22. PROPERTIES HELD FOR SALE

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at the lower of cost or net realisable value.

23. AMOUNTS DUE FROM/TO RELATED COMPANIES

	2016 RMB'million	2015 RMB'million
Amounts due from related companies comprise:		
Fellow subsidiaries	214	193
Investees of SOCAM	594	531
	808	724
Amounts due to related companies comprise:		
Fellow subsidiaries	102	99
Subsidiaries of SOCAM	310	211
	412	310

23. AMOUNTS DUE FROM/TO RELATED COMPANIES (CONTINUED)

The amounts above are unsecured, interest free and repayable on demand. An aggregate amount of RMB107 million as at 31 December 2016 (2015: RMB145 million) included in amounts due from related companies which are trade nature and with the credit period of 40 days granted by the Group, of which 2% (2015: 14%) are aged less than 90 days, and 98% (2015: 86%) are aged over 90 days, as compared to when revenue was recognised.

In the opinion of the Directors of the Company, the amounts due from related companies amounting to RMB808 million (2015: RMB724 million) are expected to be repaid within twelve months after the end of the reporting period and accordingly the amounts are classified as current assets.

24. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest free and repayable on demand.

25. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2016 RMB'million	2015 RMB'million
Current portion comprise:		
Trade payables	4,374	4,141
Relocation cost payables	852	700
Retention payables (note)	532	735
Deed tax, business tax and other tax payables	377	501
Deposits received and receipt in advance from property sales	8,347	4,552
Deposits received and receipt in advance in respect of rental of investment properties	580	473
Value-added tax payable	305	–
Deferred consideration of acquisition of subsidiaries	2,845	–
Other payables and accrued charges	673	470
Deposits received from disposal of subsidiaries	–	1,768
	18,885	13,340
Non-current portion comprise:		
Other payables and accrued charges	24	48

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 RMB4,374 million (2015: RMB4,141 million), of which 68% (2015: 74%) are aged less than 30 days, 16% (2015: 5%) are aged between 31 to 60 days, 0% (2015: 3%) are aged between 61 days to 90 days, and 16% (2015: 18%) are aged more than 90 days, based on invoice date.

Deposits received and receipt in advance from property sales amounting to RMB673 million (2015: RMB118 million) are expected to be released to profit or loss more than twelve months after the end of the reporting period.

26. BANK AND OTHER BORROWINGS

	2016 RMB'million	2015 RMB'million
Bank borrowings repayable within a period of:		
– Not more than 1 year or on demand	6,434	11,396
– More than 1 year, but not exceeding 2 years	5,867	6,671
– More than 2 years, but not exceeding 5 years	12,890	13,010
– More than 5 years	4,620	878
	29,811	31,955
Other borrowings repayable within a period of:		
– Not more than 1 year or on demand	–	1,382
Total bank and other borrowings	29,811	33,337
Less: Amount due within one year shown under current liabilities	(6,434)	(12,778)
Amount due after one year	23,377	20,559

The carrying amounts of the Group's bank and other borrowings are analysed as follows:

Denominated in	Interest rate	2016 RMB'million	2015 RMB'million
RMB	80% to 125% (2015: 90% to 135%) of PBOC Prescribed Interest Rate	25,049	21,467
RMB	Fixed rates at 9% (2015: at a range from 8.5% to 10%)	454	1,949
HK$	Hong Kong Interbank Offered Rates ("HIBOR") plus 2.0% to 4.4% (2015: HIBOR plus 3.1% to 4.3%)	2,592	5,540
US$	London Interbank Offered Rates ("LIBOR") plus 1.7% to 4.5% (2015: LIBOR plus 1.7% to 5%)	1,716	4,381
		29,811	33,337

As at 31 December 2016, the weighted average effective interest rate on the bank and other borrowings was 4.9% (2015: 5.0%), and are further analysed as follows:

	2016	2015
Denominated in RMB	4.9%	5.5%
Denominated in HK$	4.7%	4.2%
Denominated in US$	4.6%	3.7%

The bank and other borrowings at the end of the reporting period are secured by the pledge of assets as set out in note 41.

27. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares of US$0.0025 each				
At 1 January 2015	12,000,000,000	30,000	8,001,726,189	20,004
Exercise of share options (note 40)	–	–	50,000	–
Issue of shares pursuant to the share award scheme (note 40)	–	–	24,854,000	62
At 31 December 2015 and 31 December 2016	12,000,000,000	30,000	8,026,630,189	20,066

	2016 & 2015 RMB'million
Shown in the consolidated statement of financial position as	145

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

28. RESERVES

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the group reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserve comprise:

The difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in equity upon the earlier of the disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.

(c) Other reserves mainly comprise:

(i) An amount of RMB483 million, which represents payable waived in 2004 by Shui On Investment Company Limited ("SOI", a shareholder of the Company, which is wholly owned by SOCL), in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of SOI, and recharged to certain subsidiaries of the Company.

(ii) A debit amount of RMB21 million represents capital contribution arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a non-controlling shareholder of a subsidiary in 2005.

(iii) A debit amount of RMB99 million represents non-distributable reserve arising from the capitalisation of retained earnings as registered capital of a subsidiary in the PRC in 2006.

(iv) A credit amount of RMB34 million recognised in the year ended 31 December 2010, which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest of 16.8% in Yang Pu Centre Development Co., Ltd. being acquired from the non-controlling interests in 2010.

28. RESERVES (CONTINUED)

(c) Other reserves mainly comprise: (Continued)

(v) A credit amount of RMB188 million recognised against the other reserve in the year ended 31 December 2012, which arose from the Group's acquisition of additional interest of 4.81% in Foresight Profits Limited ("Foresight") through capital injection in Foresight. Following the acquisition of the entire non-controlling interest in Foresight during the prior year, all balances of non-controlling interest related to Foresight are derecognised and hence the corresponding adjustment of RMB188 million is made to other reserve.

(vi) A credit amount of RMB138 million recognised in the year ended 31 December 2012, which represents the difference between the fair value of the consideration received and the carrying amount of the net assets attributable to the partial disposal of equity interests of 49% in Glory Land Investments Limited ("Glory Land", an indirect wholly-owned subsidiary of the Company which is engaged in property development in Foshan, the PRC). The 49% equity interests in Glory Land was acquired during the year ended 31 December 2015 and a debit balance of RMB80 million, representing the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to such acquisition, was recognised in "other reserves". The net difference of RMB58 million previously recognised in other reserve was transferred to retained earnings.

(vii) A debit amount of RMB43 million recognised in the year ended 31 December 2013, which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in Shanghai Bai-Xing Properties Co., Ltd. ("Bai-Xing"), Shanghai Ji-Xing Properties Co., Ltd. ("Ji-Xing"), Shanghai Tai Ping Qiao Properties Management Co., Ltd. ("TPQM"), Shanghai Xin-tian-di Plaza Co., Ltd. ("XTD Plaza"), Shanghai Xing Bang Properties Co., Ltd. ("Xing Bang") and Shanghai Xing-Qi Properties Co., Ltd. ("Xing-Qi"). RMB9 million in relation to Xing-Bang was derecognised following the disposal of Brixworth International Limited during the year ended 31 December 2015 (note 38(d)).

(viii) A credit amount of RMB120 million recognised in the year ended 31 December 2014, which represents the difference between the fair value of consideration paid and the decrease in the non-controlling shareholders of subsidiaries.

(xi) A debit amount of RMB57 million recognised in the year ended 31 December 2015, which represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Beaming Leader Limited (note 38(g)).

29. SENIOR NOTES

	2016 RMB'million	2015 RMB'million
At 1 January	14,655	19,137
Issue of new senior notes	1,653	–
Less: Transaction costs directly attributable to issue of senior notes	(5)	–
Interest charged during the year	1,424	1,405
Less: Interest paid	(1,314)	(1,470)
Less: Repayment of senior notes	–	(5,157)
Exchange translation	899	740
At 31 December	17,312	14,655
Less: Amount due within one year shown under current liabilities	(6,023)	–
Amount due after one year	11,289	14,655

On 5 October 2016, Shui On Development (Holding) Limited ("SODH") issued US$250 million senior notes to independent third parties with a maturity of three years due on 5 October 2019 (the "2019 US$250 million Notes"). The 2019 US$250 million Notes bear coupon at 4.375% per annum payable semi-annually in arrears.

29. SENIOR NOTES (CONTINUED)

Principal terms of 2019 US$250 million Notes

The 2019 US$250 million Notes are:

(a) senior in right of payment to any existing and future obligations of SODH expressly subordinated in right of payment to the 2019 US$250 million Notes;

(b) ranked at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SODH (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis, subject to certain limitations;

(d) effectively subordinated to the secured obligations (if any) of the Company and SODH, to the extent of the value of the assets serving as security therefor; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SODH.

At any time prior to 5 October 2019, the 2019 US$250 million Notes may be redeemed at the option of SODH, in whole or in part, at a redemption price equal to the sum of 100% of the principal amount of the 2019 US$250 million Notes redeemed, accrued and unpaid interest (if any) and an Applicable Premium (see the definition below). In the opinion of the Directors of the Company, the fair value of the option to early redeem the 2019 US$250 million Notes is insignificant at initial recognition and at the end of the reporting period.

"Applicable Premium" means with respect to the 2019 US$250 million Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2019 US$250 million Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2019 US$250 million Notes through the maturity date of the 2019 US$250 million Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of the senior notes redeemed on such redemption date.

At any time and from time to time prior to 5 October 2019, SODH may redeem up to 35% of the aggregate principal amount of the 2019 US$250 million Notes at a redemption price of 104.375% of the principal amount of the 2019 US$250 million Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In the opinion of the Directors of the Company, the fair value of the option to early redeem the 2019 US$250 million Notes is insignificant at initial recognition and at the end of the reporting period.

30. CONVERTIBLE PERPETUAL SECURITIES AND WARRANTS

In October 2013, the Company and China Xintiandi Holding Company Limited ("China Xintiandi", the then wholly-owned subsidiary of the Company) entered into a set of agreements with an independent third party (the "Investor"), pursuant to which the Investor conditionally agreed to subscribe for the following for US$495 million (net of closing fee to the Investor of US$5 million):

- convertible perpetual securities issued by China Xintiandi with the aggregate principal amount of US$500 million; and
- 415 million warrants issued by the Company.

The transaction was completed on 17 February 2014 ("closing date"). The principal terms of the convertible perpetual securities and warrants were disclosed in a circular issued by the Company dated 30 November 2013.

The convertible perpetual securities were recognised as equity instruments of a subsidiary in the Group's consolidated financial statements as the Group did not have a contractual obligation to deliver cash or other financial assets arising from the issue of the convertible perpetual securities.

The warrants are classified as derivative liabilities and measured at fair value at initial recognition and at subsequent reporting dates.

30. CONVERTIBLE PERPETUAL SECURITIES AND WARRANTS (CONTINUED)

On the initial recognition of the convertible perpetual securities and warrants, the aggregate consideration of US$495 million (equivalent to RMB3,025 million translated using the spot rate as at 17 February 2014) were allocated to the convertible perpetual securities and warrants taking into account the fair value of warrants of US$21 million (equivalent to RMB129 million translated using the spot rate as at 17 February 2014) at initial recognition with the residual of US$474 million (equivalent to RMB2,896 million translated using the spot rate as at 17 February 2014) being allocated to the convertible perpetual securities. Transaction costs of RMB94 million and RMB4 million, respectively, have been allocated to convertible perpetual securities and warrants. Transaction costs allocated to the convertible perpetual securities are recognised in equity whereas transaction costs allocated to the warrants are recognised as expenses when they are incurred.

Key terms of the convertible perpetual securities

The convertible perpetual securities were issued in registered form in denominations of principal amount of US$100,000 each and integral multiples thereof.

The convertible perpetual securities do not have any maturity date.

China Xintiandi has the option to pay distributions from and including the issue date (i.e. 17 February 2014), semi-annually in arrears on each distribution payment date in cash at the following distribution rate:

- in respect of the period from, and including the issue date to, but excluding 17 February 2019, 8.3 per cent per annum;

- in respect of the period from, and including 17 February 2019, 20 per cent per annum.

If China Xintiandi elects not to pay a distribution or does not pay a distribution on two separate distribution payment dates, China Xintiandi shall not, for as long as any convertible perpetual securities are outstanding, declare or pay in cash or in kind any dividend distribution or make any other payment on, and shall procure that, no dividend, distribution or other payment is made on, any of its junior securities or parity obligations, or redeem, reduce, cancel or buy-back or acquire for any consideration any of its junior securities, or parity obligations, unless and until it is permitted to do so by written consent of the holders of the majority of the convertible perpetual securities then outstanding.

The convertible perpetual securities may be converted into ordinary shares of China Xintiandi at any time at the option of the holders which, if converted in full, will represent 21.90 per cent of the share capital of China Xintiandi. The convertible perpetual securities will convert automatically into ordinary shares of China Xintiandi upon a qualified IPO or a listing approved by the holders ("China Xintiandi Listing") at the same pre-determined conversion price. If China Xintiandi completes a listing of China Xintiandi that is not a China Xintiandi Listing, the convertible perpetual securities will remain outstanding after such listing of China Xintiandi.

The convertible perpetual securities may be redeemed at China Xintiandi's option beginning on the fifth anniversary of the closing date by (i) paying to the holders the applicable redemption price of such outstanding convertible perpetual securities to be redeemed; or (ii) if no China Xintiandi Listing has occurred by the time of such redemption, procuring the issue by the Company a certain number of ordinary shares of the Company which has a value equal to the applicable redemption price for the convertible perpetual securities to be redeemed.

China Xintiandi has the right to redeem the convertible perpetual securities at their applicable redemption price if it becomes liable to pay additional tax amounts in respect of such convertible perpetual securities, subject to certain circumstances.

For so long as a holder holds convertible perpetual securities representing 10% of the ordinary shares of China Xintiandi on a fully diluted basis, upon the occurrence of a Change of Control Event (which happens when either: (i) Mr. Vincent Lo, his family and his and their affiliated trusts and companies (the Permitted Party) cease to control, either directly or indirectly through one or more subsidiaries, more than 30 per cent of the total voting power of the Company; (ii) any person or persons other than the Permitted Party acquires more voting rights of the issued share capital of the Company than the Permitted Party; or (iii) any person or persons other than the Permitted Party acquires more voting rights of the issued share capital of China Xintiandi than the Permitted Party), the Investor may request the Company to redeem all the convertible perpetual Securities it holds. Upon such redemption request, China Xintiandi may elect to either: (i) redeem the convertible perpetual securities at the applicable redemption price (see the definition above); or (ii) leave the convertible perpetual securities outstanding, in which case the applicable distribution rate (please see above) will increase by 4%.

30. CONVERTIBLE PERPETUAL SECURITIES AND WARRANTS (CONTINUED)

Key terms of the convertible perpetual securities (continued)

In addition, as part of the agreements, the Investor has been given a right to exchange the convertible perpetual securities for a certain number of ordinary shares of the Company at any time during a certain period of time starting from and including the third anniversary of the issue date, or when there is a Change of Control Event at an initial exchange price of HK$3.25 subject to certain anti-dilutive adjustments. The Company then has a right to exchange the convertible perpetual securities by:

a) paying to the Investor a cash redemption premium of an amount (in US dollars) equal to 0.7% per annum on the aggregate principal amount of the convertible perpetual securities being exchanged; and

b) at the Company's election, either (i) paying to the Investor the applicable redemption amount of such convertible perpetual securities (in US dollars) in cash; or (ii) exchanging the convertible perpetual securities at the above-mentioned predetermined exchange price.

During the year ended 31 December 2015, convertible perpetual securities with a principal amount of US$499,900,000 have been converted into newly issued ordinary shares of China Xintiandi, representing 21.89% of the enlarged share capital of China Xintiandi. An amount of RMB1,516 million, representing the difference between the carrying amount of the convertible perpetual securities derecognised amounting to RMB2,802 million and the net assets of China Xintiandi attributable to non-controlling interest after conversion of RMB4,318 million, were recognised directly in retained earnings.

Any distributions made by China Xintiandi to the Investor will be recognised in equity. The Group has made distribution payments amounting to approximately RMB15 million (2015: RMB254 million) during the year ended 31 December 2016.

Key terms of the warrants

The 415 million warrants are exercisable for 415 million ordinary shares of the Company from the closing date until the third anniversary of the closing date at an exercise price of HK$2.85 per ordinary share subject to certain anti-dilutive adjustments. Upon exercise of the warrants, to the extent that the-then market value of each ordinary share of the Company exceeds the exercise price of the warrant by HK$3.62, the number of ordinary shares to be issued will be reduced such that the gain to be received by the holder of the warrant will be capped at HK$3.62 per warrant.

Upon exercise of any warrant by a warrantholder, the Company, as the issuer, may, at its sole discretion, settle its obligations with respect of the warrants in one of the following manners:

- deliver a certain number of ordinary shares of the Company to the warrantholders based on the above-mentioned exercise price with the HK$3.62 cap mechanism;

- deliver a certain number of ordinary shares of the Company to the warrantholders with an aggregate value (calculated based on the market price of ordinary shares of the Company at the time of exercise) equal to the difference between (i) the aggregate value (calculated based on the market price of the ordinary shares of the Company at the time of exercise) of the ordinary shares underlying the warrants being exercised (taking into account the above-mentioned HK$3.62 cap mechanism) and (ii) the aggregate amount of the exercise price to be paid for the warrants being exercised; or

- deliver cash to the warrantholders equal to the difference between (i) the aggregate value (calculated based on the market price of the ordinary shares of the Company at the time of exercise) of the ordinary shares underlying the warrants being exercised (taking into account the above-mentioned HK$3.62 cap mechanism) and (ii) the aggregate amount of the exercise price to be paid for the warrants being exercised.

Up to the date of the authorisation of the Group's consolidated financial statements for year ended 31 December 2016, no warrants have been exercised and all warrants had been expired on 16 February 2017.

30. CONVERTIBLE PERPETUAL SECURITIES AND WARRANTS (CONTINUED)

Key terms of the warrants (continued)

The warrants issued by the Company are measured at fair value at initial recognition. At the end of each reporting date, the warrants are measured at fair value, with changes in fair value being recognised in profit or loss. The movements of the fair value of the derivative liabilities represented by warrants during the year are as below:

	2016 RMB'million	2015 RMB'million
Fair value recognised at 1 January	32	64
Unrealised fair value gain recognised in profit or loss	(32)	(32)
Fair value at 31 December (included in 'derivative financial instruments – current') (note 33)	–	32

The Company has engaged an independent qualified valuer to determine the fair values of the warrants as at 31 December 2016 and as at 31 December 2015. The fair values of warrants as at 31 December 2016 and as at 31 December 2015 are determined based on Black-Scholes option pricing method. Key inputs used in arriving at the fair values are as follows:

	2016	2015
Share price of the Company as at 31 December	HK$1.67	HK$2.13
Risk free rate	0.55%	0.17%
Exercise price	HK$2.85	HK$2.85
Warrant cap	HK$6.47	HK$6.47
Expected dividend yield	2.34%	2.91%
Volatility	21%	37%
Warrant life	0.13 year	1.13 years

The above risk free rates were determined with reference to yields of 0.13 year and 1.13 years Hong Kong Exchange Fund Notes available as of 31 December 2016 and 31 December 2015, respectively. The expected volatility was determined based on the historical volatility of the Company's share price for the past 0.13 year and 1.13 years, respectively.

The fair values of warrants as at 31 December 2016 and 31 December 2015 are categorised as Level 3 under the fair value hierarchy set out in IFRS 13. There were no transfers in or out of Level 3 during both years.

31. CONVERTIBLE PERPETUAL CAPITAL SECURITIES

On 4 June 2015, SODH issued convertible perpetual capital securities ("CPCS") with an aggregate principal amount of US$225 million (equivalent to approximately RMB1,376 million translated using the spot rate as at 4 June 2015). The CPCS are guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SODH. Transaction costs relating to the issue of CPCS amounted to approximately RMB37 million.

Key terms of the CPCS

Subject to the below, distributions shall be paid the semi-annually in arrears on each distribution payment date in cash at the following distribution rates:

- in respect of the period from, and including the issue date to, but excluding 4 June 2020, 7.5 per cent per annum;
- in respect of the periods (i) from, and including 4 June 2020 to, but excluding, the immediately following Reset Date (i.e. 4 June 2020 and each day falling every five calendar years after 4 June 2020) and (ii) from, and including each Reset Date falling thereafter to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate (i.e. the rate for U.S. Dollars Swaps with a maturity of 5 years from the relevant reset rate plus the 5.809% Initial Spread plus the 3.00% Step-Up Margin per annum).

31. CONVERTIBLE PERPETUAL CAPITAL SECURITIES (CONTINUED)

Key terms of the CPCS (continued)

SODH has, at its sole discretion, a right to elect to defer a distribution, unless a compulsory distribution payment event has occurred. If on any distribution payment date SODH elects not to pay a distribution, SODH and the Company, shall not, and the Company shall procure that no dividend, distribution or other payment is made on, any of its junior securities or parity obligations, or to redeem, reduce, cancel or buy-back or acquire for any consideration any of its junior securities, or parity obligations, unless and until SODH and the Company satisfies in full all arrears of distribution and the interest thereof or it is permitted to do so by an extraordinary resolution of the holders of the CPCS.

A compulsory distribution payment event happens when (i) a discretionary dividend, distribution or other payment has been paid or declared by the Company or (ii) the Company or SODH has at its discretion repurchased, redeemed or otherwise acquired any of its junior securities, preference shares or parity securities.

The CPCS can be converted into ordinary shares of the Company at any time on or after 15 July 2015 at the option of the holders at a fixed conversion price of HK$3.2280 (at a fixed exchange rate of HK$7.7528 to US$1) per share of the Company, subject to certain anti-dilutive adjustments. Adjustments have been made to the conversion price from HK$3.11 to HK$3.04 as a result of the dividends paid by the Company to its ordinary shareholders in June 2016 and September 2016.

The CPCS have no fixed redemption date. SODH may at its option redeem all, but not some only, of the CPCS on 4 June 2020 or on any of 4 June or 4 December after 4 June 2020, and in certain specified circumstances specified in the agreements.

In case of occurrence of any delisting or suspension of the trading of the Company's shares for more than 30 consecutive days that were initiated or made by the Company, the holder of CPCS will have the right to require the Company to procure the redemption of the CPCSs. In the opinion of the Directors of the Company, the occurrence of such events is highly remote.

The CPCS are included in equity in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPCS.

Up to the date of the authorisation of the Group's consolidated financial statements for the year ended 31 December 2016, no CPCS have been converted into ordinary shares of the Company.

Any distributions made by SODH to the holders will be recognised in equity in the consolidated financial statements of the Group. The distribution for the annual period 3 June 2016 and 3 December 2016 amounting to RMB113 million (2015: RMB54 million) was paid during the current year.

32. PERPETUAL CAPITAL SECURITIES

On 4 December 2012, SODH issued US$500 million (equivalent to approximately RMB3,137 million) 10.125% guaranteed perpetual capital securities ("Perpetual Capital Securities") at an issue price of 100% of the principal amount. The Perpetual Capital Securities were guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SODH under the Perpetual Capital Securities. Distributions on the Perpetual Capital Securities are paid semi-annually in arrears from 10 June 2013 and can be deferred at the discretion of SODH. The Perpetual Capital Securities have no fixed maturity and are redeemable at SODH's option on or after 10 December 2017 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company and SODH cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company and SODH.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 RMB'million	2015 RMB'million
Call option to buy back an investment property	460	450
Currency forward contracts designated as hedging instruments	343	–
Warrants (note 30)	–	32
Interest rate swaps designated of cash flow hedge	–	5
Cross currency swaps	368	238
For the purpose of financial statement presentation:		
Non-current assets	460	450
Current assets	343	–
	803	450
Non-current liabilities	–	238
Current liabilities	368	37
	368	275

Call option to buy back an investment property

In previous years, the Group disposed of its entire equity interest in a subsidiary, and the related intercompany loans, that indirectly, owned 99% interest in an investment property located in Shanghai, the PRC, to an independent third party for a cash consideration of RMB3,364 million.

In accordance with the relevant sale and purchase agreement entered into in previous years, the Group was granted a call option to repurchase all the equity interest of the disposed subsidiary and the related shareholder's loans within two months before the fifth anniversary or the seventh anniversary of the completion of the disposal (i.e. 18 December 2013), at a cash consideration that represent the original consideration plus 9% per annum rate of return.

The Group has engaged an independent qualified valuer to estimate the fair value of the option as at 31 December 2016 and 31 December 2015. As at 31 December 2016, the fair value of the call option was estimated to be RMB460 million (2015: RMB450 million). The fair value of the option as at 31 December 2016 and 31 December 2015 are determined using Monte-Carlo simulation with the following key assumptions:

	2016	2015
99% interest of property valuation	RMB5,891 million	RMB5,732 million
Time to maturity	3.97 years	4.97 years
3.97-year risk-free rate (2015: 4.97-year)	2.98%	2.89%
1.96-year forward 2-year risk-free rate (2015: 3-year forward 2-year)	3.16%	3.20%
Volatility	5.63%	5%

The property valuation at 31 December 2016 has been arrived at on the basis of valuation carried out by Knight Frank Petty Limited with reference to the fair value of similar properties within the same locality as at that date (2015: with reference to the recent transaction prices of similar investment properties in the same locality disposed of by the Group). The above risk free rates were determined with reference to yields of RMB China government bond. The volatility was determined with reference to the average rent of Premium Grade A office in the same region as the location of the subject investment property.

The call option measured at fair value as at 31 December 2016 and 31 December 2015 is grouped under Level 3. Level 3 fair value measurements are those derived from inputs that are unobservable for the asset or liability.

An increase in the property valuation would result in an increase in the fair value of the call option, and vice versa. If the property valuation is 3% (2015: 3%) higher and lower while all other variables are held constant, the carrying amount of the call option would increase to approximately RMB612 million (2015: RMB600 million) and decrease to approximately RMB326 million (2015: RMB330 million), respectively.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cross currency swaps

During the year ended 31 December 2014, the Group entered into cross currency swaps to reduce the risk of currency exchange fluctuation of the Group's senior notes with principal amount of RMB2,500 million and due in 2017 ("2017 RMB Notes"). Under these swaps, the Group would receive interest at a fixed rate of 6.875% per annum based on the principal amount of RMB2,500 million and pay interest semi-annually at fixed rate at 5.840% to 5.975% per annum, based on the notional amount of approximately US$408 million in aggregate. The cross currency swaps have been negotiated to match the settlement period of the 2017 RMB Notes.

The Group has not designated the cross currency swaps of 2017 RMB Notes as hedge and its fair value loss amounting to RMB130 million (2015: RMB154 million) was recognised immediately in profit or loss during the current year.

Currency forward contracts designated as hedging instruments

During the year ended 31 December 2016, the Group entered into several currency forward contracts to reduce currency exchange fluctuation of certain Group's senior notes. The currency forward contracts have been negotiated to match the settlement period of those senior notes.

The terms of the currency contracts are listed out as below:

Buy	Sell	Maturity	Contract rates
US$952 million	RMB6,507 million	19 May 2017 to 24 November 2017	RMB6.7210 to RMB7.2730

During the year ended 31 December 2016, the fair value gain arising from the currency forward contracts of RMB343 million was recognised in other comprehensive income. An amount of RMB221 million has been released from hedge reserve to the profit or loss during the current year.

34. LIABILITIES ARISING FROM RENTAL GUARANTEE ARRANGEMENTS

	2016 RMB'million	2015 RMB'million
Rental guarantees, at fair values	599	690
For the purpose of financial statements presentation:		
Non-current liabilities	271	370
Current liabilities	328	320
	599	690

During the year ended 31 December 2014, the Group disposed of an investment property to an independent third party ("purchaser") for a cash consideration of RMB2,412 million. As part of the disposal, the Group also agreed to provide the purchaser with a rental guarantee whereby the Group agreed to compensate the purchaser on a yearly basis, from the date when the first instalment was received till 31 January 2019 which could be further extended by the purchaser for three times, each for a one-year period when certain conditions are met, the shortfall between 8% of the consideration received by the Group from the purchaser and the net operating income to be generated by the property. On the other hand, the Group shall be entitled to receive from the purchaser a fee amounting to 80% of the excess of net operating income above 8% of the consideration received by the Group from the purchaser.

A similar arrangement was entered into during the year ended 31 December 2013 with another independent third party purchaser, which, in accordance with the related sales and purchase agreement, the rental guarantee arrangement was last till January 2017.

In the current year, the Group has reassessed and revised the related cash flow forecast take into account the latest market conditions.

34. LIABILITIES ARISING FROM RENTAL GUARANTEE ARRANGEMENTS (CONTINUED)

As at 31 December 2016, the fair value of financial liabilities arising from the abovementioned rental guarantee arrangements, which is calculated by using Monte-Carlo simulation using the following assumptions:

	2016	2015
Estimated office unit rental	RMB96 to RMB121 per square meter	RMB98 to RMB157 per square meter
Occupancy rate	73% to 99%	68% to 99%
Risk-free rate	2.88%	2.33% to 2.60%
Discount rate	8.17%	7.01% to 7.28%
Expected expiry date	31 January 2020	17 January 2017 and 31 January 2020

Risk-free rates represent the corresponding yield to maturity of respective China Sovereign Fixed Rate.

A loss of RMB227 million (2015: RMB439 million) has been recognised in profit or loss in the current year to reflect changes in estimates (included in "other gains and losses" line item).

The Group's liabilities arising from rental guarantee arrangements that are measured at fair value at the end of the reporting period are grouped under Level 3. There were no transfers in or out of Level 3 during the year. Level 3 fair value measurements are those derived from inputs that are unobservable for the asset or liability. The higher the estimated office unit rental and occupancy rate, the lower the fair value of the liabilities arising from rental guarantee arrangements. The higher the discount rate, the lower the fair value of the liabilities arising from rental guarantee arrangements.

35. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation RMB'million	Revaluation of investment properties RMB'million	Tax losses RMB'million	Recognition of sales and related cost of sales RMB'million	Withholding tax on income derived in the PRC RMB'million	Others RMB'million	Total RMB'million
At 1 January 2015	1,405	5,017	(237)	(577)	241	(245)	5,604
Charge (credit) to profit or loss	145	1,152	(149)	(103)	(10)	36	1,071
Transfer to liabilities associated with assets classified as held for sale	(25)	(481)	41	(11)	–	(3)	(479)
Disposal of subsidiaries (note 38(d))	(121)	(1,379)	–	(4)	(3)	(1)	(1,508)
At 31 December 2015	1,404	4,309	(345)	(695)	228	(213)	4,688
Charge (credit) to profit or loss	166	325	4	(425)	125	(57)	138
Charge to other comprehensive income	–	–	–	–	–	4	4
Acquisition of further equity interest in a subsidiary (note 38(a))	–	–	(14)	618	–	–	604
At 31 December 2016	1,570	4,634	(355)	(502)	353	(266)	5,434

35. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 RMB'million	2015 RMB'million
Deferred tax assets	(840)	(554)
Deferred tax liabilities	6,274	5,242
	5,434	4,688

At the end of the reporting period, the Group has unused tax losses of RMB2,090 million (2015: RMB1,879 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB1,419 million (2015: RMB1,545 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB671 million (2015: RMB334 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2016 RMB'million	2015 RMB'million
2016	–	16
2017	78	79
2018	130	82
2019	128	130
2020	91	27
2021	244	–
	671	334

36. CONVERTIBLE BONDS

On 29 September 2010, the Company issued RMB denominated US$ settled 4.5% convertible bonds with the aggregate principal amount of RMB2,720 million with the initial conversion price of HK$4.87 at a fixed exchange rate of RMB1.00 to HK$1.1439. All outstanding convertible bonds were fully repaid in cash during the year ended 31 December 2015.

The convertible bonds contained two components: equity and liability elements. The equity element had been presented in equity heading "convertible bond equity reserve", amounting to RMB96 million, which was transferred directly to retained earnings upon full settlement of convertible bonds.

The movement of the liability component of the convertible bonds for both years is set out below:

	RMB'million
At 1 January 2015	419
Interest charged during the year	34
Less: Interest paid	(10)
Less: Repayment during the year	(443)
At 31 December 2015 and 31 December 2016	–

37. PROVIDENT AND RETIREMENT FUND SCHEMES

Hong Kong

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was effective in 2004. The assets of the Plan are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The MPF Scheme

For members of the MPF Scheme, contributions are made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of services with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff costs during the year ended 31 December 2016 is RMB9 million (2015: RMB10 million).

The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The actuarial valuations of the plan assets and the present value of the defined benefit obligation are carried out at 31 December 2016 and 31 December 2015 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost are measured using the Projected Unit Credit Method.

The Plan exposes the Group to actuarial risks such as investment risk, interest risk and salary risk.

Investment risk	The plan assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the plan investments.
Interest risk	The present value of the defined benefit plan liabilities is calculated using a discount rate determined by reference to market corporate bond yields. A decrease in the discount rate will increase the plan liabilities.
Salary risk	The present value of the defined benefit plan liabilities is calculated by reference to the future salaries of members. An increase in the salaries of members will increase the plan liabilities.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	2016	2015
Discount rate per annum	1.6%	1.2%
Expected rate of salary increase	4.0%	4.0%

The actuarial valuation showed that the market value of plan assets was RMB45 million (2015: RMB52 million) and that the actuarial value of these assets represented 67% (2015: 63%) of the benefits that had accrued to members.

37. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

Hong Kong (continued)

The Plan (continued)

Amounts recognised in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2016 RMB'million	2015 RMB'million
Service cost and components of defined benefit costs recognised in profit or loss:		
– Current service cost	3	3
– Net interest cost	–	1
	3	4
Remeasurement of the net defined benefit liability and components of defined benefit costs recognised in other comprehensive income:		
– Return on plan assets (excluding amounts included in net interest expense)	(1)	4
– Actuarial gains and losses arising from changes in demographic assumptions	–	(2)
– Actuarial gains and losses arising from changes in financial assumptions	(1)	(3)
– Actuarial gains and losses arising from experience adjustments	(2)	(1)
	(4)	(2)
Total	(1)	2

The expense for the year is included in the retirement benefits costs in profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2016 RMB'million	2015 RMB'million
Present value of funded defined benefit obligations	67	82
Fair value of plan assets	(45)	(52)
Net liabilities arising from defined benefit obligations	22	30

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2016 RMB'million	2015 RMB'million
At 1 January	82	81
Current service cost	3	3
Interest cost	1	1
Remeasurement gains:		
– Actuarial gains and losses arising from changes in demographic assumptions	–	(2)
– Actuarial gains and losses arising from changes in financial assumptions	(1)	(3)
– Actuarial gains and losses arising from experience adjustments	(2)	(1)
Contributions from plan participants	1	1
Benefits paid from scheme assets	(21)	(4)
Exchange realignment	4	6
At 31 December	67	82

37. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

Hong Kong (continued)

The Plan (continued)

Movements in the present value of the plan assets in the current year were as follows:

	2016 RMB'million	2015 RMB'million
At 1 January	52	45
Remeasurement gain (losses):		
– Interest income on scheme assets	1	1
– Return on plan assets (excluding amounts included in net interest expense)	1	(4)
Contributions from the employer	9	10
Contributions from plan participants	1	1
Benefits paid from scheme assets	(21)	(4)
Exchange realignment	2	3
At 31 December	45	52

The major categories of plan assets at the end of the reporting period are as follows:

	2016 RMB'million	2015 RMB'million
Equities	31	34
Hedge funds	5	6
Bonds and cash	9	12
	45	52

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The actual return on plan assets was gain of RMB2 million (2015: loss of RMB3 million).

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and expected rate of salary increase. No sensitivity analysis is prepared as the financial impact arising from the changes in discount rate and expected rate of salary increase is insignificant.

The management has regularly monitored the investment strategies of the plan assets and there has been no change in the process used by the management to manage its risks from prior periods.

The average duration of the benefit obligation at 31 December 2016 is 5 years (2015: 5.2 years).

The Group expects to make a contribution of RMB9 million (2015: RMB10 million) to the defined benefit plan during the next financial year.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specific percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

The Group's contributions to the state-managed retirement benefit schemes charged to the consolidated statement of profit or loss as staff costs during the year ended 31 December 2016 amounted to RMB39 million (2015: RMB50 million).

38. ACQUISITIONS AND DISPOSALS

(a) Acquisition of further equity interest in Portspin Limited in the current year

Pursuant to a sale and purchase agreement entered into on 18 December 2015 between an indirectly wholly-owned subsidiary of the Company, as a purchaser, and the joint venture partner of Portspin Limited ("Portspin"), a then joint venture of the Group that the Group owned 39.86% equity interest in Portspin, as a seller, the joint venture partner agreed to sell and the Group agreed to acquire the remaining 60.14% of the equity interest and the related shareholders' loans in Portspin for an aggregate cash consideration of US$563 million, of which US$156 million (approximately RMB1,014 million translated using the exchange rate as at 19 January 2016) was settled on 19 January 2016 and US$407 million (approximately RMB2,670 million translated using the exchange rate as at 19 January 2016) is to be settled on 29 December 2017. The transaction was completed on 19 January 2016 and Portspin became a subsidiary of the Company upon completion. Portspin is an investment holding company and its subsidiaries owned a property development project in Shanghai, which is held for property development for sale.

In accordance with the sale and purchase agreement, when certain conditions are met, in addition to the US$407 million being the consideration, the Company shall pay the seller at the maximum equal to US$15 million (approximately RMB98 million translated using the exchange rate as at 19 January 2016). The present value of such deferred consideration of US$422 million (approximately RMB2,768 million) discounted for about 2 years using the weighted average borrowing rate of the Company's bank and other borrowings outstanding during 2015 of 6.26% per annum is RMB2,452 million.

The acquisition is accounted for using the acquisition method of accounting in accordance with IFRS 3 *Business Combinations*. The Directors of the Company believe that the acquired items constitutes a business in accordance with IFRS 3 (for example, construction activities and pre-completion sales activities had been started before the acquisition). The bargain purchase gain recognised was RMB369 million, which is attributable to the increase in the valuation of the subject properties under development for sale after the negotiation of consideration.

In addition, the difference between the fair value of the existing interest in a joint venture and the aggregate carrying amount of interests in and loans to a joint venture amounting to RMB498 million was recognised in profit or loss during the current period as gain on deemed disposal of a joint venture.

Acquisition-related costs of RMB38 million have been expensed in the profit or loss in the current period and included in "general and administrative expenses" line item in the consolidated statement of profit or loss.

38. ACQUISITIONS AND DISPOSALS (CONTINUED)

(a) Acquisition of further equity interest in Portspin Limited in the current year (continued)

The recognised amounts of assets and liabilities of the acquired companies at the date of acquisition (which is 19 January 2016) are set out below:

	RMB'million
Property, plant and equipment	12
Properties under development for sale	7,760
Accounts receivable, deposits and prepayments	4
Deferred tax assets	14
Restricted bank deposits	318
Bank balances and cash	50
Accounts payable and accruals	(540)
Loans from and amounts due to the Group	(2,159)
Loans from and amounts due to a shareholder	(3,258)
Bank and other borrowings	(513)
Deferred tax liabilities	(618)
Less: Non-controlling interests	(110)
Net assets acquired	960
Consideration paid out of restricted bank balance	1,014
Deferred consideration	2,452
Less: Assumption of loans from and amounts due to a shareholder acquired	(3,258)
Plus: Fair value of existing interest in a joint venture	383
Less: Fair value of net assets acquired	(960)
Bargain purchase gain (included in "other gains and losses" in the profit or loss)	(369)
Cash inflow on acquisition:	
Cash and cash equivalent balances acquired	50

Included in the profit of the Group for the year ended 31 December 2016 is a profit of RMB435 million attributable to the acquired companies (after elimination of transactions with the Group). Revenue of the Group for the year includes RMB3,690 million generated from the acquired company.

Had the acquisition been completed on 1 January 2016, the Group's total turnover for the year ended 31 December 2016 (after elimination of transactions with the Group) would have been RMB17,600 million and profit for the year would have been RMB1,776 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In the opinion of the Directors of the Company, the acquisition will increase the Group's investment in the residential sector and allow the Group to consolidate a prestige residential project in Shanghai which in turn will maximise the return to its shareholders.

38. ACQUISITIONS AND DISPOSALS (CONTINUED)

(b) Disposal of equity interest in Infoshore International Limited in the current year

Pursuant to a sale and purchase agreement entered into with independent third parties on 10 December 2015, the Group, on 2 February 2016, completed a disposal of its entire equity interest in a subsidiary, namely Infoshore International Limited ("Infoshore") and the related shareholders' loans for an aggregate cash consideration of approximately RMB5,759 million. Infoshore indirectly held an investment property located in Shanghai, the PRC. The related assets and liabilities of Infoshore were classified as held-for-sale as at 31 December 2015 in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The net assets of the subsidiaries at the date of the disposal were as follows:

	RMB'million
Net assets disposed of:	
Investment properties	5,700
Accounts receivable, deposits and prepayments	64
Deferred tax assets	45
Bank balances and cash	215
Accounts payable, deposits received and accrued charges	(208)
Deferred tax liabilities	(527)
	5,289
Gain on disposal of subsidiaries:	
Cash consideration received (note(i))	5,661
Add: Consideration receivable	98
Less: Transaction costs	(45)
Less: Net assets disposed of	(5,289)
Add: Non-controlling interests	41
	466
Increase in fair value of the investment properties recognised during the period	10
Gain on disposal (presented as "gain on investment properties disposed of")	476
Net cash inflow arising on the disposal:	
Cash consideration received, net of transaction costs	3,848
Less: Restricted bank deposits (note (ii))	(223)
Less: Bank balances and cash disposed of	(215)
Add: Release of restricted bank deposits (note (ii))	223
	3,633

Notes:

(i) Consideration received included RMB1,768 million deposited in an escrow account and was presented as "restricted bank deposits" as at 31 December 2015. Such amount is released during the current year.

(ii) Restricted bank deposits of RMB223 million were deposited on 2 February 2016 and subsequently released to the Group during the current year when the 1% equity interest of the subsidiary of Infoshore established in the PRC held by a non-controlling shareholder was transferred to the buyer.

During the year ended 31 December 2016, included in the Group's turnover and the Group's profit for the year were turnover of RMB16 million and a loss of RMB2 million respectively attributable to the subsidiaries disposed of.

38. ACQUISITIONS AND DISPOSALS (CONTINUED)

(c) Disposal of property inventories through the disposal of equity interest in Foshan Yuan Kang Property Development Co., Ltd. in the current year

Pursuant to a sale and purchase agreement entered into with an independent third party on 14 April 2016, the Group disposed of the entire equity interest in Foshan Yuan Kang Property Development Co., Ltd. ("Foshan Yuan Kang"), a wholly-owned subsidiary of the Company, at an aggregate consideration of RMB1,900 million. Foshan Yuan Kang owned a property development project in Foshan, the PRC. The disposal was completed on 24 June 2016.

The net assets disposed of in the transaction were as follows:

	RMB'million
Net assets disposed of:	
Investment properties under construction or development at cost	76
Properties under development for sale	1,770
Bank balances and cash	10
	1,856
Total consideration satisfied by:	
Cash consideration received	884
Consideration receivables	1,016
Less: Cost of discounting to present value (note (i))	(58)
Consideration	1,842
Net assets disposed of	(1,856)
Transaction cost	(1)
Loss on disposal (note (ii))	(15)

Notes:

(i) An aggregate consideration of RMB1,016 million is to be settled by instalment in June 2017 and December 2017 by the buyer and therefore is discounted using market interest rate.

(ii) With the adoption of new accounting policy (note 2B), the transaction was accounted for as a sale of property inventories in the ordinary course of the Group's property business. The disposal of properties under development for sale was through the disposal of Foshan Yuan Kang which owned the properties.

(d) Disposal of 100% equity interest in Brixworth International Limited in the prior year

On 31 August 2015, the Group completed a disposal of 100% equity interest in Brixworth International Limited ("Brixworth") that indirectly owns investment properties for an aggregate cash consideration of approximately US$1,032 million (equivalent to RMB6,596 million at the date of disposal).

38. ACQUISITIONS AND DISPOSALS (CONTINUED)

(d) Disposal of 100% equity interest in Brixworth International Limited in the prior year (continued)

The net assets of the subsidiaries being disposed of at the date of the disposal were as follows:

	RMB'million
Net assets disposed of:	
Investment properties	6,449
Accounts receivable, deposits and prepayments	15
Bank balances and cash	139
Accounts payable, deposits received and accrued charges	(95)
Tax payables	(3)
Deferred tax liabilities	(1,508)
	4,997
Gain on disposal before taxation:	
Cash consideration received	6,596
Less: Transaction costs	(60)
Less: Net assets disposed of	(4,997)
Release of other reserve (debit balance) upon disposal	(9)
	1,530
Add: Increase in fair value of the investment properties recognised during the year	1,644
Gain on disposal (presented as a "gain on investment properties disposed of")	3,174
Cash consideration received, net of transaction costs	6,536
Less: Restricted bank deposits for the purpose of the settlement of the tax payment	(634)
Less: Bank balances and cash disposed of	(139)
Net cash inflow arising on the disposal	5,763

During the year ended 31 December 2015, included in the Group's turnover and the Group's profit for the year were turnover of RMB193 million and a net profit of RMB1,191 million respectively attributable to the subsidiaries disposed of.

(e) Acquisition of 100% equity interest in Pacific Sunrise Holdings Limited in the prior year

In December 2014, an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into a sale and purchase agreement with an independent third party seller, pursuant to which the seller conditionally agreed to dispose of, and the purchaser conditionally agreed to acquire 100% equity interest of Pacific Sunrise Holdings Limited for a cash consideration of RMB168 million of which RMB118 million was paid in 2015 and RMB50 million was paid in 2014. The acquisition was completed in March 2015 and has been reflected in the movements of the Group's investment properties (see note 13). The acquisition was accounted for as an asset acquisition.

(f) Acquisition of the remaining equity interest in Glory Land Investment Limited in the prior year

In November 2015, the Group acquired and Mitsui Fudosan Residential Co., Ltd. ("Mitsui", a non-controlling shareholder of a subsidiary of a Group's associate) sold (a) 49% of the equity interests in Glory Land Investment Limited ("Glory Land"), which was a non-wholly owned subsidiary of the Group before the completion of the transaction, and (b) the related shareholder's loan amounting to RMB72 million for a total cash consideration of approximately RMB177 million. Glory Land indirectly holds property projects located in Foshan, the PRC. The transaction was completed on 30 November 2015. Upon completion, Glory Land became an indirect wholly-owned subsidiary of the Company. A net difference of RMB80 million (a debit balance) between the consideration paid and the carrying amount of non-controlling shareholders of subsidiaries was recognised directly in equity for the year ended 31 December 2015.

38. ACQUISITIONS AND DISPOSALS (CONTINUED)

(g) Acquisition of the remaining equity interest in Beaming Leader Limited in the prior year

On 30 January 2015, the Group entered into an agreement with an independent third party pursuant to which the Group conditionally agreed to purchase and the seller agreed to sell 23.4% of the equity interests in Beaming Leader Limited, which was a non-wholly owned subsidiary of the Group before the completion of the transaction, for a total cash consideration of approximately RMB10 million. The transaction was completed on 30 January 2015. Upon completion, Beaming Leader Limited became an indirect wholly-owned subsidiary of the Company. Beaming Leader Limited and its subsidiaries are engaged in the provision of management services. The difference of RMB57 million (a debit balance) between the consideration paid and the carrying amount of non-controlling shareholders of subsidiaries was recognised directly in equity for the year ended 31 December 2015.

39. ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to a letter of intent dated 28 December 2016 (the "Deed") entered into with an independent third party, an indirect wholly-owned subsidiary of the Company, has conditionally agreed 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. As at 31 December 2016, the aggregate carrying amount of the hotel amounted to RMB476 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 this hotel has been classified as "assets classified as held for sale" as at 31 December 2016, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinue Operations*. As at 31 December 2016, the Group has received RMB15 million as earnest money.

For the year ended 31 December 2015, the Group entered into an agreement with an independent third party to sell its entire interest in Infoshore (the "Disposal"). The related assets and liabilities of Infoshore were classified as held-for-sale as at 31 December 2015 in accordance with IFRS 5 *Non-current Asset Held for sale and Discontinued operations*. The Disposal was completed during the year ended 31 December 2016. Details were set out in note 38(b).

40. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At 31 December 2016, 44,202,563 share options (2015: 86,530,274 share options) remains outstanding under the Scheme, representing 0.6% (2015: 1.1%) of the ordinary shares of the Company in issue at that date. The Scheme allows the Board of Directors of the Company, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

40. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share option scheme (continued)

The movement in the Company's share options is set out below:

		Number of options			
Date of grant	Exercise price HK$	At 1 January 2016	Granted during the year	Lapsed during the year	At 31 December 2016
20 June 2007	6.45	30,879,741	–	(30,879,741)	–
1 August 2007	7.54	495,773	–	(495,773)	–
2 October 2007	9.22	267,799	–	(267,799)	–
1 November 2007	10.86	229,778	–	(229,778)	–
3 December 2007	9.11	67,696	–	(67,696)	–
2 January 2008	8.27	1,636,194	–	(567,366)	1,068,828
1 February 2008	7.42	317,109	–	(103,773)	213,336
3 March 2008	7.08	277,504	–	(201,075)	76,429
2 May 2008	7.31	2,674,115	–	(747,474)	1,926,641
2 June 2008	6.77	5,931,901	–	(1,473,095)	4,458,806
2 July 2008	5.95	206,111	–	(119,307)	86,804
4 September 2009	4.52	6,050,011	–	(2,246,680)	3,803,331
18 January 2012	2.41	9,512,122	–	(2,240,861)	7,271,261
3 September 2012	4.93	21,333,420	–	(10,392,293)	10,941,127
7 July 2015	2.092	6,651,000	–	(875,000)	5,776,000
4 July 2016	1.98	–	8,580,000	–	8,580,000
		86,530,274	8,580,000	(50,907,711)	44,202,563
Categorised as:					
Directors		–	437,000	–	437,000
Consultant		217,000	–	(217,000)	–
Employees		86,313,274	8,143,000	(50,690,711)	43,765,563
		86,530,274	8,580,000	(50,907,711)	44,202,563
Number of options exercisable		68,891,804			27,645,755

40. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share option scheme (continued)

		Number of options					
Date of grant	Exercise price HK$	At 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Reclassification	At 31 December 2015
20 June 2007	6.45	43,183,746	–	–	(12,304,005)	–	30,879,741
1 August 2007	7.54	633,145	–	–	(137,372)	–	495,773
2 October 2007	9.22	363,192	–	–	(95,393)	–	267,799
1 November 2007	10.86	312,799	–	–	(83,021)	–	229,778
3 December 2007	9.11	88,153	–	–	(20,457)	–	67,696
2 January 2008	8.27	2,417,322	–	–	(781,128)	–	1,636,194
1 February 2008	7.42	479,602	–	–	(162,493)	–	317,109
3 March 2008	7.08	361,974	–	–	(84,470)	–	277,504
2 May 2008	7.31	3,298,158	–	–	(624,043)	–	2,674,115
2 June 2008	6.77	7,354,544	–	–	(1,422,643)	–	5,931,901
2 July 2008	5.95	280,114	–	–	(74,003)	–	206,111
4 September 2009	4.52	9,317,382	–	–	(3,267,371)	–	6,050,011
18 January 2012	2.41	10,304,887	–	(50,000)	(742,765)	–	9,512,122
3 September 2012	4.93	27,804,386	–	–	(6,470,966)	–	21,333,420
7 July 2015	2.092	–	6,651,000	–	–	–	6,651,000
		106,199,404	6,651,000	(50,000)	(26,270,130)	–	86,530,274
Categorised as:							
Directors		7,109,726	–	–	–	(7,109,726)	–
Consultant		434,000	–	–	(217,000)	–	217,000
Employees		98,655,678	6,651,000	(50,000)	(26,053,130)	7,109,726	86,313,274
		106,199,404	6,651,000	(50,000)	(26,270,130)	–	86,530,274
Number of options exercisable		71,843,210					68,891,804

In respective of the share options exercised during the year ended 31 December 2015, the weighted average share price at the date of exercise is HK$2.49.

The vesting period and the exercisable period of the share options granted to eligible employees on 4 July 2016 are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	From date of grant to 29 June 2017	From 30 June 2017 to 3 July 2022
The second 1/5 of the grant:	From date of grant to 29 June 2018	From 30 June 2018 to 3 July 2022
The third 1/5 of the grant:	From date of grant to 29 June 2019	From 30 June 2019 to 3 July 2022
The fourth 1/5 of the grant:	From date of grant to 29 June 2020	From 30 June 2020 to 3 July 2022
The fifth 1/5 of the grant:	From date of grant to 29 June 2021	From 30 June 2021 to 3 July 2022

The vesting period and the exercisable period of the share options granted to eligible employees on 7 July 2015 are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	From date of grant to 29 June 2016	From 30 June 2016 to 6 July 2021
The second 1/5 of the grant:	From date of grant to 29 June 2017	From 30 June 2017 to 6 July 2021
The third 1/5 of the grant:	From date of grant to 29 June 2018	From 30 June 2018 to 6 July 2021
The fourth 1/5 of the grant:	From date of grant to 29 June 2019	From 30 June 2019 to 6 July 2021
The fifth 1/5 of the grant:	From date of grant to 29 June 2020	From 30 June 2020 to 6 July 2021

40. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share option scheme (continued)

The vesting period and the exercisable period of the share options granted to eligible employees and Directors on 18 January 2012 are as follows:

	Vesting period	Exercisable period
The first 50% of the grant:	From date of grant to 27 June 2013	From 28 June 2013 to 17 January 2020
The second 25% of the grant:	From date of grant to 31 December 2013	From 1 January 2014 to 17 January 2020
The last 25% of the grant:	From date of grant to 31 December 2014	From 1 January 2015 to 17 January 2020

The vesting period and the exercisable period of the share options granted to eligible employees and Directors for the remaining grants are as follows:

	Vesting period	Exercisable period
The first 1/7 of the grant:	From date of grant to the 2nd anniversary	From the 2nd to the 7th anniversary of the date of grant
The second 1/7 of the grant:	From date of grant to the 3rd anniversary	From the 3rd to the 8th anniversary of the date of grant
The third 1/7 of the grant:	From date of grant to the 4th anniversary	From the 4th to the 9th anniversary of the date of grant
The fourth 1/7 of the grant:	From date of grant to the 5th anniversary	From the 5th to the 9th anniversary of the date of grant
The fifth 1/7 of the grant:	From date of grant to the 6th anniversary	From the 6th to the 9th anniversary of the date of grant
The sixth 1/7 of the grant:	From date of grant to the 7th anniversary	From the 7th to the 9th anniversary of the date of grant
The last 1/7 of the grant:	From date of grant to the 8th anniversary	From the 8th to the 9th anniversary of the date of grant

The vesting period and the exercisable period of the share options granted to a consultant on 20 June 2007 are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	Unconditional and fully vested at the date of grant	Before the 5th anniversary of the date of grant
The second 1/5 of the grant:	From date of grant to the 1st anniversary	Before the 6th anniversary of the date of grant
The third 1/5 of the grant:	From date of grant to the 2nd anniversary	Before the 7th anniversary of the date of grant
The fourth 1/5 of the grant:	From date of grant to the 3rd anniversary	Before the 8th anniversary of the date of grant
The last 1/5 of the grant:	From date of grant to the 4th anniversary	Before the 9th anniversary of the date of grant

The estimated fair value of the options granted on 4 July 2016 and on 7 July 2015 was RMB4 million and RMB2 million respectively.

These fair values were calculated using the Binomial lattice model. The inputs into the model were as follows:

	The options granted on 4 July 2016	The options granted on 7 July 2015
Share price at the date of grant	HK$1.980	HK$1.830
Exercise price	HK$1.980	HK$2.092
Expected volatility of the Company's share price	38%	35%
Expected life	6 years	6 years
Risk-free rates of interest	0.61% to 0.71%	1.14% to 1.35%
Expected dividend yield	2.4%	2.8%
Early exercise behaviour	176%	170%
Rate of leaving services after the options are vested	4%	4%

40. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share option scheme (continued)

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The expected dividend yield has taken into account the historical dividend yield in the past 5 years. The risk-free interest rates are based on the yield curve fitted by market yields of the Hong Kong Government Exchange Fund Notes and Government Bonds at the grant date.

The Binomial lattice model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group has recognised the total expense of RMB3 million (2015: RMB4 million) in the profit or loss in relation to share options granted by the Company.

During the year ended 31 December 2016, none of the share options have been exercised.

Share award scheme

On 1 April 2015, (1) a connected employee share award scheme and (2) an employee share award scheme were adopted by the Company. The share award scheme is effective for a period of 16 years commencing from 1 April 2015. Pursuant to these two schemes, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they vest. The Company shall pay to the trustee monies and give directions or recommendation to the trustee to apply such monies and/or such other net amount of cash derived from shares held as part of the fund of the trusts to acquire shares from the market, and/or to allot and issue shares to the trustee, to satisfy any award made to selected participants. The remuneration committee of the Company shall select eligible persons and determine the number of shares to be awarded. Upon termination of the schemes, the trustee shall sell all unvested shares remaining in the trusts within a reasonable time period as agreed between the trustee and the Company, and remit all cash and net proceeds of such sale and such other funds remaining in the trust to the Company.

During the year ended 31 December 2015, a total of 17,149,000 award shares (which, depending on the performance of the Group, may be adjusted to a maximum of 42,872,500 award shares, i.e. 250% of the award shares granted during the year) and 7,705,000 award shares (which, depending on the performance of the Group, may be adjusted to a maximum of 19,262,500 award shares, i.e. 250% of the award shares granted during the year) of the Company have been awarded to certain connected employees (including Directors of the Company and of certain subsidiaries) and employees of the Group respectively at no consideration.

The awarded shares shall vest upon condition relating to the Group's performance and the individual performance being met during the 3-year performance period. The key measures to the performance were taken with reference to the key performance indicators such as the Group's financial performance and the strategic growth.

The movement in the Company's award shares is set out below:

Vesting dates	Outstanding at 1 January 2016	Movement during the year			Outstanding at 31 December 2016
		Awarded	Vested	Lapsed	
Connected Employee Share Award Scheme					
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	6,862,500	–	–	(2,147,500)	4,715,000
2 January 2018	3,431,250	–	–	(1,073,750)	2,357,500
2 January 2019	3,431,250	–	–	(1,073,750)	2,357,500
	13,725,000	–	–	(4,295,000)	9,430,000
Employee Share Award Scheme					
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	3,852,500	–	–	–	3,852,500
2 January 2018	1,926,250	–	–	–	1,926,250
2 January 2019	1,926,250	–	–	–	1,926,250
	7,705,000	–	–	–	7,705,000
	21,430,000	–	–	(4,295,000)	17,135,000

40. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share award scheme (continued)

Vesting dates	Outstanding at 1 January 2015	Movement during the year Awarded	Vested	Lapsed	Outstanding at 31 December 2015
Connected Employee Share Award Scheme					
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	–	8,574,500	–	(1,712,000)	6,862,500
2 January 2018	–	4,287,250	–	(856,000)	3,431,250
2 January 2019	–	4,287,250	–	(856,000)	3,431,250
	–	17,149,000	–	(3,424,000)	13,725,000
Employee Share Award Scheme					
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	–	3,852,500	–	–	3,852,500
2 January 2018	–	1,926,250	–	–	1,926,250
2 January 2019	–	1,926,250	–	–	1,926,250
	–	7,705,000	–	–	7,705,000
	–	24,854,000	–	(3,424,000)	21,430,000

As at 31 December 2016 and 2015, 24,854,000 shares are allotted at par and held by the trust for the share award schemes.

The aggregate fair value of 24,854,000 award shares determined based on the share price of the Company at the date of grant amounted to approximately HKD45 million (approximately RMB36 million), of which RMB9 million (2015: RMB8 million) was recognised as an expense in profit or loss for the current year with the corresponding credit being recognised in equity under the heading of "share award reserve".

41. PLEDGE OF ASSETS

The following assets are pledged to banks as securities to obtain certain banking facilities at the end of the reporting period:

	2016 RMB'million	2015 RMB'million
Investment properties	48,969	52,318
Property, plant and equipment	1,133	1,090
Prepaid lease payments	7	7
Properties under development for sale	5,354	9,159
Properties held for sale	284	81
Accounts receivable	48	84
Bank deposits	4,479	3,082
	60,274	65,821

In addition, the equity interests in certain subsidiaries with carrying amount of net assets of RMB13,761 million (2015: RMB14,604 million) are also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

Included in investment properties above, RMB476 million (2015: RMB5,700 million) is included under "assets classified as held for sale". Included in accounts receivable and bank deposits as at 31 December 2015 above, RMB47 million and RMB93 million, respectively, are included under "assets classified as held for sale".

42. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties earned of RMB1,474 million (2015: RMB1,428 million), net of outgoings of RMB264 million (2015: RMB255 million), is RMB1,210 million (2015: RMB1,173 million). The investment properties held have committed tenants for the next one to twenty years at fixed rentals. Included in the property rental income, certain leases contain contingent rental income recognised during the year ended 31 December 2016 amounting to RMB45 million (2015: RMB24 million). These contingent rentals are generally based on specified percentages of turnover of the tenants.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments (i.e. fixed rental income) which fall due as follows:

	2016 RMB'million	2015 RMB'million
Within one year	1,616	1,201
In the second to fifth years inclusive	3,172	2,359
Over five years	649	448
	5,437	4,008

As lessee

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 RMB'million	2015 RMB'million
Within one year	47	15
In the second to fifth years inclusive	81	4
	128	19

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to five years.

43. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

At the end of the reporting period, the Group has the following commitments:

	2016 RMB'million	2015 RMB'million
Contracted but not provided for:		
Development costs for investment properties under construction or development	5,184	5,561
Development costs for properties under development held for sale	3,776	4,151
Acquisition of remaining interests in subsidiaries (note 38(a))	–	3,656
	8,960	13,368

43. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingent liabilities

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (2015: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2016 and 31 December 2015, such arrangement has not taken place.

(ii) As at 31 December 2016, the Group has an outstanding guarantee issued to (a) a joint venture which was formed between Richcoast and Mitsui and (b) Mitsui for an aggregate amount not exceeding RMB55 million (31 December 2015: RMB87 million) in respect of Richcoast's payment obligations to the joint venture and Mitsui.

(iii) As at 31 December 2016, the Group has outstanding financial guarantees issued to independent third parties in respect of outstanding amounts due from subsidiaries of an associate. The maximum amount that could be paid by the Group if the guarantees were called upon is RMB911 million (2015: RMB472 million).

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the consolidated statement of financial position as at 31 December 2016 and 31 December 2015. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

44. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 10, 17, 18, 23, 24, 38 and 43, the Group has the following transactions with related companies during the year:

	2016 RMB'million	2015 RMB'million
SOCL and its subsidiaries other than those of the Group		
Rental and building management fee expenses	6	4
Travelling expenses	9	8
Revenue from construction services	1	–
SOCAM and its subsidiaries, being associates of SOCL		
Revenue from construction services	123	279
Associates		
Project management fee income		
– overprovision in prior year	–	(29)
Imputed interest income	56	41
Interest income	78	158
Labor fee income	4	12
Joint ventures		
Project management fee income	2	20
Interest income	42	41
Sales commission fee income	2	–
Labor fee income	2	13
Key management personnel		
Property sales	12	9
Short-term benefits	58	76
Post-employment benefits	4	5
Share option expenses	1	1
Share award expenses	5	4
	68	86

45. EVENTS AFTER THE REPORTING PERIOD

The Group has the following events after the reporting period:

a) On 23 January 2017, SODH issued US$500 million senior notes to independent third parties with a maturity of four years due on 6 February 2021 (the "2021 US$ Notes"). The 2021 US$ Notes bear coupon at 5.7% per annum, payable semi-annually in arrears.

b) On 24 January 2017, Hua Xia Rising (Hong Kong) Limited ("Hua Xia Rising"), a joint venture of the Group, made a successful bid for a piece of land (the "Land") offered for sale by The East Lake High-tech Development Zone branch of Wuhan Land Resources and Planning Bureau ("Wuhan Land Bureau"). The Land is located in East Lake Ring, Wuhan. On the same date, Hua Xia Rising entered into the confirmation agreement for successful bidding of state-owned land use rights with Wuhan Land Bureau relating to the confirming the successful bid of the Land.

   It is intended that Hua Xia Rising will set up a wholly-owned project company in Wuhan for future development of the Land. Following the successful bidding of the Land, the Group shall further invest in Hua Xia Rising for funding the acquisition of the Land which is expected to be approximately RMB1,410 million. Details are set out in the Company's announcement dated 24 January 2017.

46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings and senior notes disclosed in notes 26 and 29, respectively net of bank balances and cash, restricted bank deposits and pledged bank deposits, and equity comprising issued share capital and reserves, convertible perpetual securities, convertible perpetual capital securities, perpetual capital securities and non-controlling shareholders of subsidiaries.

The Directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the excess of the sum of bank and other borrowings and senior notes over the sum of bank balances and cash (inclusive of restricted bank deposits and pledged bank deposits) by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

The gearing ratios at the end of reporting dates are as follows:

	2016 RMB'million	2015 RMB'million
Bank and other borrowings	29,811	33,337
Senior notes	17,312	14,655
Pledged bank deposits	(4,479)	(2,989)
Restricted bank deposits	(1,435)	(4,281)
Bank balances and cash	(9,653)	(3,344)
Net debt	31,556	37,378
Total equity	46,256	46,118
Net debt to total equity	68%	81%

47. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016 RMB'million	2015 RMB'million
Financial assets		
Derivative financial asset	803	450
Loans and receivables (including bank balances and cash)	23,685	19,591
Financial liabilities		
Derivative financial liabilities	368	275
Amortised cost	56,880	56,280
Liabilities arising from rental guarantee arrangement	599	690

b. Financial risk management objectives and policies

The Group's major financial instruments include derivative financial asset, loans to associates, loans to joint ventures, accounts receivable, amounts due from associates, amounts due from related companies, amounts due from joint ventures, pledged bank deposits, restricted bank deposits, bank balances and cash, accounts payable, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, bank and other borrowings, senior notes, derivative financial liabilities and liabilities arising from rental guarantee arrangements.

47. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk

All of the Group's turnover is denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2016 RMB'million	2015 RMB'million
HK$		
Assets	1,521	2,577
Liabilities	3,303	7,107
US$		
Assets	378	1,719
Liabilities	16,562	16,603

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and US$.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Notes	2016 RMB'million	2015 RMB'million
HK$			
Profit or loss	(i)	85	216
US$			
Profit or loss	(ii)	771	708

Notes:
(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in HK$ not subject to cash flow hedges at the end of the reporting period.
(ii) This is mainly attributable to the exposure outstanding on receivables, payables and senior notes denominated in US$ not subject to cash flow hedges at the end of the reporting period.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

47. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank and other borrowings at variable rates.

The Group's fair value interest rate risk relates primarily to fixed rate bank borrowings (note 26) and senior notes (note 29).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and PBOC prescribed interest rate arising from the Group's HK$, US$ and RMB borrowings. In order to mitigate the cash flow interest rate risk in respect of the bank and other borrowings, the Group has entered into several interest rate swaps (which have been designated as hedging instruments) whereby the Group will receive interest at variable rates at HIBOR, LIBOR or PBOC and pay interests at fixed rates. Details of the interest rate swaps are set out in note 33.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank and other borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables are held constant, the Group's profit for the year ended 31 December 2016 would decrease/increase by RMB100 million (2015: RMB94 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings, after taking into consideration the effects of the interest rate swaps designated as hedging instruments and capitalisation of interest costs.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments and the decrease of capitalisation rate of interest costs.

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 43.

The Group's credit risk is primarily attributable to its loans to associates, loans to joint ventures, accounts receivable, amounts due from associates, amounts due from related companies and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2016, loans to associates of RMB1,865 million (2015: RMB1,962 million), loans to joint ventures of RMB756 million (2015: RMB2,912 million) and amounts due from associates of RMB2,156 million (2015: RMB1,878 million).

The credit risk on liquid funds is limited because the funds have been deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

47. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments that are settled on a net basis, undiscounted net cash outflows are presented.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount at 31.12.2016 RMB'million
2016							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	9,313	12	12	–	9,337	9,337
Bank and other borrowings at variable rates	4.9%	7,755	6,885	14,092	5,007	33,739	29,811
Senior notes	8.6%	7,321	5,191	7,419	–	19,931	17,312
Amounts due to related companies	–	412	–	–	–	412	412
Amounts due to non-controlling shareholders of subsidiaries	–	8	–	–	–	8	8
Financial guarantee contracts (note a)	–	966	–	–	–	966	–
Liabilities arising from rental guarantee arrangements (note b)	–	328	232	696	252	1,508	599
		26,103	12,320	22,219	5,259	65,901	57,479
Derivatives – net settlement							
Cash flow hedge instruments	–	368	–	–	–	368	368

	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount at 31.12.2015 RMB'million
2015							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	7,919	24	24	–	7,967	7,967
Bank and other borrowings at variable rates	5.0%	14,170	7,483	13,843	1,055	36,551	33,337
Senior notes	9.0%	1,286	6,947	10,039	–	18,272	14,655
Amounts due to related companies	–	310	–	–	–	310	310
Amounts due to non-controlling shareholders of subsidiaries	–	11	–	–	–	11	11
Financial guarantee contracts (note a)	–	559	–	–	–	559	–
Liabilities arising from rental guarantee arrangements (note b)	–	320	384	688	473	1,865	690
		24,575	14,838	24,594	1,528	65,535	56,970
Derivatives – net settlement							
Cash flow hedge instruments	–	37	238	–	–	275	275

Notes:

a. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

b. The amounts included above relate to the rental guarantee arrangements entered into by the Group (see note 34). In respect of the compensation for the current year, the amounts above represent the actual amount. In respect of the remaining guarantee period for 2017 (2015: 2016) and beyond, the amounts represent the maximum amounts the Group could be required to settle as if there was no operating income to be generated by the disposed properties. Based on the expectations at the end of the reporting period, the Group considers that it is more likely that a much lower amount will be payable under the arrangements as some of the properties have been generating rental income. In addition, as mentioned in note 34, liabilities arising on rental guarantee arrangements are measured at fair value at the end of the reporting period. However, this estimate is subject to change depending on the future rental income that will be generated from the properties.

47. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value measurement

The fair values of the Group's financial assets and financial liabilities excluding derivative financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group's derivative financial instruments are measured at fair value at the end of the reporting period and they are grouped under Level 2 financial instruments based on the degree to which the fair value is observable.

The Group's currency forward contracts amounting to RMB343 million (2015: Nil) are measured at the present value of future cash flows, estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting periods) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Group's cross currency swaps amounting to RMB368 million (2015: RMB238 million) are measured at the present value of future cash flows, estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

At 31 December 2015, the Group's interest rate swaps amounting to RMB5 million are measured at the present value of future cash flows, estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

The Group's call option to buy back an investment property and liabilities arising from rental guarantee arrangements that are measured at fair value at the end of the reporting period are grouped under Level 3. The fair values of both instruments are estimated based on Monte-Carlo simulation using key inputs as disclosed in notes 33 and 34 respectively.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'million	2015 RMB'million
Non-current assets		
Investments in subsidiaries	5,845	5,083
Loan to a subsidiary	11,371	11,599
	17,216	16,682
Current assets		
Other prepayment	23	22
Bank balances	1	2
	24	24
Current liabilities	–	–
Total assets less current liabilities	17,240	16,706
Capital and reserves		
Share capital	145	145
Reserves (note)	17,095	16,529
Total equity	17,240	16,674
Warrants	–	32
Total equity and non-current liabilities	17,240	16,706

Note:
Details of the Company's reserves are set out below:

	Share premium RMB'million	Share award reserve RMB'million	Convertible bond equity reserve RMB'million	Other reserve RMB'million	Share option reserve RMB'million	Accumulated losses RMB'million	Total RMB'million
At 1 January 2015	18,020	–	96	507	205	(2,622)	16,206
Profit and total comprehensive income for the year	–	–	–	–	–	710	710
Recognition of equity-settled share-based payment expenses	–	–	–	–	4	–	4
Lapsed of share options	–	–	–	–	(83)	83	–
Redemption of convertible bonds upon maturity	–	–	(96)	–	–	96	–
Issue of shares pursuant to the share award scheme (note 40)	–	8	–	–	–	–	8
Total dividends of HK$0.062 per share paid, comprising 2014 final dividend of HK$0.04 per share and 2015 interim dividend of HK$0.022 per share	–	–	–	–	–	(399)	(399)
At 31 December 2015	18,020	8	–	507	126	(2,132)	16,529
Profit and total comprehensive income for the year	–	–	–	–	–	820	820
Recognition of equity-settled share-based payment expenses	–	–	–	–	3	–	3
Lapsed of share options	–	–	–	–	(90)	90	–
Recognition of equity-settled share based payment expenses under the share award scheme	–	9	–	–	–	–	9
Total dividends of HK$0.039 per share paid, comprising 2015 final dividend of HK$0.028 per share and 2016 interim dividend of HK$0.011 per share	–	–	–	–	–	(266)	(266)
At 31 December 2016	18,020	17	–	507	39	(1,488)	17,095

49. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2016 and 31 December 2015 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2016 (note a)	2015	Place of operation	Principal activities
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Beaming Leader Limited	BVI 5 October 2012	10,000 ordinary shares of US$1 each	78.11%	78.11%	Hong Kong	Investment holding
Best Scene Retail Asset Management (Hong Kong) Limited	Hong Kong 4 April 2011	HK$1	78.11%	78.11%	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	HK$1	100%	100%	Hong Kong	Investment holding
Big Glory (H.K.) Limited	Hong Kong 24 February 2014	HK$1	78.11%	78.11%	Hong Kong	Investment holding
Billion China Investments Limited	BVI 18 October 2007	20 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	HK$2	100%	100%	Hong Kong	Investment holding
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	HK$2	100%	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	HK$2	78.11%	78.11%	Hong Kong	Investment holding
Champion Ally Limited	BVI 11 February 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
China Advance Limited	Hong Kong 13 November 2006	HK$1	100%	100%	Hong Kong	Investment holding
China KC Investment Management (Hong Kong) Limited	Hong Kong 22 January 2014	HK$1	100%	100%	Hong Kong	Dormant
China KC Investment Management Limited	Cayman Islands 5 September 2014	1 ordinary share of US$0.01	100%	100%	Hong Kong	Dormant
China KC Principal Partner Limited	Cayman Islands 5 September 2014	1 ordinary share of US$0.01	100%	100%	Hong Kong	Dormant
China Knowledge Community Development (Holding) Limited	Cayman Islands 5 September 2014	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Knowledge Community Limited	Cayman Islands 5 September 2014	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	HK$1	100%	100%	Hong Kong	Investment holding
China Xintiandi Commercial Assets Limited	Cayman Islands 21 March 2014	1 ordinary share of US$0.01	78.11%	78.11%	Hong Kong	Investment holding
China Xintiandi Company Limited	BVI 21 March 2011	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
China Xintiandi Limited	Cayman Islands 18 April 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding

49. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (note a) 2016	Attributable equity interest held (note a) 2015	Place of operation	Principal activities
China Xintiandi Development Company Limited	Cayman Islands 3 November 2011	1 ordinary share of US$0.01	78.11%	78.11%	Hong Kong	Investment holding
China Xintiandi Holding Company Limited	Cayman Islands 27 October 2011	1,280,312 ordinary shares of US$0.001 each	78.11%	78.11%	Hong Kong	Investment holding
China Xintiandi Enterprise Limited	Cayman Islands 3 April 2014	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Investment Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Management (Hong Kong) Limited	Hong Kong 12 October 2012	HK$1	78.11%	78.11%	Hong Kong	Investment holding
China Xintiandi Property Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	78.11%	78.11%	Hong Kong	Investment holding
Chongqing Shui On Tiandi Property Development Co. Ltd. (Note b)	PRC 21 November 2003	Registered and paid up capital US$385,000,000	99%	99%	PRC	Property development and property investment
Citichamp Limited	Hong Kong 19 July 2006	HK$1	100%	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	HK$2	100%	100%	Hong Kong	Investment holding
Clear Max Enterprises Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Colour Bridge Holdings Limited	BVI 8 August 2016	1 ordinary share of US$1	100%	–	Hong Kong	Dormant
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	HK$2	100%	100%	Hong Kong	Investment holding
Dalian Yingjia Science and Technology Development Co., Ltd. (Note d)	PRC 3 December 2009	Registered and paid up capital US$23,000,000	100%	100%	PRC	Science and technology development
East Capital Development Limited	Hong Kong 18 April 2008	HK$1	100%	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	HK$2	78.11%	78.11%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Ever Finance International Limited	BVI 27 February 2013	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Excellent Goal Limited	Hong Kong 16 January 2014	HK$1	100%	100%	Hong Kong	Investment holding
Excellent Hope Limited	Hong Kong 5 February 2014	HK$1	100%	100%	Hong Kong	Investment holding
Excellent Win Enterprises Limited	Hong Kong 5 February 2010	HK$1	100%	100%	Hong Kong	Investment holding
Famous Scene Holdings Limited	BVI 13 December 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Fast China Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	HK$100	100%	100%	Hong Kong	Investment holding

49. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2016 (note a)	Attributable equity interest held 2015 (note a)	Place of operation	Principal activities
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Firm Gain Investments Limited	BVI 26 July 2011	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	HK$2	78.11%	78.11%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	10,000 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Fo Shan An Ying Property Development Co., Ltd. (Note d)	PRC 8 January 2008	Registered and paid up capital RMB830,000,000	100%	100%	PRC	Property development
Fo Shan Rui Dong Property Development Co., Ltd. (Note d)	PRC 25 April 2008	Registered and paid up capital RMB1,290,000,000	100%	100%	PRC	Property development
Fo Shan Rui Fang Property Development Co., Ltd. (Note d)	PRC 21 May 2008	Registered capital is RMB940,000,000 and paid up capital RMB719,855,000	100%	100%	PRC	Property development
Fo Shan Rui Kang Tian Di Property Development Co., Ltd. (Note d)	PRC 21 May 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd. (Note d)	PRC 8 January 2008	Registered and paid up capital RMB900,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd. (Note d)	PRC 8 January 2008	Registered and paid up capital RMB1,130,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Hotel Management Co., Ltd. (Note d)	PRC 8 August 2011	Registered and paid up capital RMB5,000,000	100%	100%	PRC	Hotel management
Fo Shan Yong Rui Tian Di Property Development Co., Ltd. (Note d)	PRC 21 March 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Yuan Kang Property Development Co., Ltd. (Note d)	PRC 29 February 2008	Registered and paid up capital RMB1,310,000,000	–	100%	PRC	Property development
Fo Shan Shui On Tiandi Trading Co., Ltd. (Note d)	PRC 3 August 2010	Registered and paid up capital RMB1,310,000,000	100%	100%	PRC	Retail business
Fuhui Limited	BVI 1 April 2010	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Gains Ally Limited	BVI 3 May 2013	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	HK$2	100%	100%	Hong Kong	Investment holding
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Glory Land Investment Limited	Cayman Islands 3 July 2012	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding

49. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (note a) 2016	2015	Place of operation	Principal activities
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Grand Hope Limited	Hong Kong 14 March 2003	100 A ordinary shares of HK$1 each and 2 B ordinary shares of HK$1 each	A shares: 100% B shares: 100%	A shares: 100% B shares: 100%	Hong Kong	Investment holding
Greatwood Development Limited	Hong Kong 22 April 2013	HK$1	100%	100%	Hong Kong	Dormant
Great Star (H.K.) Limited	Hong Kong 15 October 2013	HK$1	100%	100%	Hong Kong	Dormant
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Infoshore International Limited	BVI 1 November 2002	100 ordinary shares of US$1 each	–	78.11%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Innovate Zone Group Limited	BVI 3 January 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	78.11%	78.11%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	HK$1	100%	100%	Hong Kong	Investment holding
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	HK$1	78.11%	78.11%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	HK$2	78.11%	78.11%	Hong Kong	Investment holding
Land Pacific Limited	Hong Kong 2 November 2007	HK$1	100%	100%	Hong Kong	Investment holding
Landson (H.K.) Limited	Hong Kong 5 March 2013	HK$1	100%	100%	Hong Kong	Investment holding
Legend City Limited (note g)	Hong Kong 4 June 1997	HK$2	100%	N/A	Hong Kong	Investment holding
Lucky Gain Limited	Hong Kong 8 November 2002	HK$2	100%	100%	Hong Kong	Investment holding
Lucky Mate Development Limited	Hong Kong 15 October 2014	HK$1	100%	100%	Hong Kong	Investment holding
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Magic Bright Investments Limited	BVI 18 September 2007	20 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Magic Shine Limited	BVI 3 April 2013	1 ordinary share of US$1	–	100%	Hong Kong	Dormant
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding

49. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2016 (note a)	2015	Place of operation	Principal activities
Mount Eastern Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
New Asia Limited	Hong Kong 31 October 2003	HK$2	–	100%	Hong Kong	Dormant
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
New Venture Enterprises Limited	Hong Kong 26 October 2010	HK$1	100%	100%	Hong Kong	Investment holding
Next Victory Ventures Limited	BVI 2 July 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	HK$2	100%	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	HK$2	100%	100%	Hong Kong	Investment holding
On Target Holdings Limited	BVI 4 March 2014	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	HK$2	100%	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Pacific Sunrise Holdings Limited	BVI 16 January 2013	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Pacific Victory Development Limited	Hong Kong 3 April 2014	HK$1	100%	100%	Hong Kong	Dormant
Pat Daive (China) Limited	Hong Kong 1 November 1994	HK$2	100%	100%	Hong Kong	Investment holding
Port Pilot Limited	BVI 25 March 2013	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Portspin Limited (note g)	BVI 22 May 1997	123,980 ordinary share of US$0.001 each	100%	N/A	Hong Kong	Investment holding
Power Fast Holdings Limited	Hong Kong 11 March 2008	HK$1	100%	100%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	HK$2	78.11%	78.11%	Hong Kong	Investment holding
Profit Estate Limited	BVI 30 October 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Prosper Profit Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	–	100%	Hong Kong	Dormant
Rainbow Yield Investments Limited	BVI 4 July 2016	1 ordinary share of US$1	100%	–	Hong Kong	Investment holding
Regal Victory Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Radiant Colour Limited	BVI 19 February 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Renown Best Limited	BVI 18 February 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Rich Bright Holdings Limited	BVI 29 July 2011	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding

49. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (note a) 2016	2015	Place of operation	Principal activities
Rightidea Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Rimmer Investments Limited	BVI 22 July 1994	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Selfers Limited	BVI 29 November 1995	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shanghai Bai-Xing Properties Co., Ltd. (Note d)	PRC 2 February 1999	Registered and paid up capital RMB146,761,000	78.11%	78.11%	PRC	Property development and property investment
Shanghai Cai Xing Properties Development Co., Ltd. (Note b)	PRC 16 May 2014	Registered capital RMB3,600,000,000 paid up capital RMB2,150,000,000	99%	99%	PRC	Property development
Shanghai Fu Ji Properties Co., Ltd. (Note b)	PRC 18 January 2004	Registered and paid up capital US$35,773,000	99%	99%	PRC	Property development
Shanghai Fu-Xiang Properties Co., Ltd. (Note b)	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	77.33%	77.33%	PRC	Property development and property investment
Shanghai Ji-Xing Properties Co., Ltd. (Note d)	PRC 2 February 1999	Registered and paid up capital RMB69,452,000	78.11%	78.11%	PRC	Property development and property investment
Shanghai JingFu Property Co., Ltd. (Note b)	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	99%	PRC	Property development
Shanghai Jiu Hai Rimmer Properties Co., Ltd. (Note b)	PRC 1 November 1994	Registered and paid up capital US$30,000,000	62.49%	62.49%	PRC	Property development and property investment
Shanghai Knowledge and Innovation Community Development Co., Ltd (Note b)	PRC 9 June 2010	Registered and paid up capital HK$1,550,000,000	99%	99%	PRC	Property development
Shanghai Le Fu Properties Co., Ltd. (Note b)	PRC 20 February 2004	Registered and paid up capital US$240,500,000	–	77.33%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd. (Note d)	PRC 6 September 2006	Registered and paid up capital US$1,890,000	100%	100%	PRC	Food and beverage services
Shanghai Rui Chen Property Co., Ltd. (Note d)	PRC 6 May 1996	Registered and paid up capital RMB189,000,000	100%	100%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd. (Note d)	PRC 28 December 2010	Registered and paid up capital RMB3,900,000,000	78.11%	78.11%	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd. (Note c)	PRC 2 July 2001	Registered and paid up capital RMB6,700,000,000	99%	99%	PRC	Property development and property investment
Shanghai Shui On Club Business Management Co., Ltd. (Note d)	PRC 29 July 2010	Registered capital is RMB1,000,000 and paid up capital RMB200,000	100%	100%	PRC	Provision of business management services
Shanghai Tai Ping Qiao Properties Management Co., Ltd. (Note d)	PRC 31 August 2001	Registered and paid up capital US$198,000	78.11%	78.11%	PRC	Property management

49. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2016 (note a)	2015	Place of operation	Principal activities
Shanghai Xin-Tian-Di Plaza Co., Ltd. (Note d)	PRC 2 February 1999	Registered and paid up capital RMB98,261,000	78.11%	78.11%	PRC	Property development and property investment
Shanghai Xing-Qi Properties Co., Ltd. (Note d)	PRC 2 February 1999	Registered and paid up capital RMB266,653,000	78.11%	78.11%	PRC	Property development and property investment
Shanghai Yang Pu Centre Development Co., Ltd. (Note b)	PRC 26 August 2003	Registered and paid up capital US$137,500,000	86.8%	86.8%	PRC	Property development and property investment
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	100%	Hong Kong	Investment holding and debt financing
Shui On Development (Singapore) Pte. Limited	Singapore 27 December 2011	1 ordinary share of US$10	100%	100%	Singapore	Dormant
Shui On Granpex Limited	Hong Kong 13 January 1997	HK$2	100%	100%	Hong Kong	Investment holding
Shui On Knowledge and Innovation Partners	Cayman Islands 6 September 2016	1 ordinary share of US$1	100%	–	Hong Kong	Dormant
Shui On Land Management Limited	Hong Kong 12 May 2004	HK$1	100%	100%	Hong Kong	Provision of management services
Shui On Resort Community (Lijiang) Holding Limited	BVI 28 April 2008	1 ordinary share of US$1	–	100%	Hong Kong	Dormant
Shui On Resort Community (Shangri-La) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	–	100%	Hong Kong	Dormant
Shui On Resort Community (Kunming) Holding Limited	BVI 18 July 2006	1 ordinary share of US$1	–	100%	Hong Kong	Dormant
Shui On Resort Community (Yunnan) Development Limited	Cayman Islands 17 July 2006	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
Shine First Limited	BVI 25 October 2006	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Shine Prime Investments Limited	BVI 2 November 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	HK$1	100%	100%	Hong Kong	Provision of secretarial services
Silomax Limited	BVI 25 March 1996	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Simply Creative Limited	BVI 19 December 2013	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Sino Atrium Global Limited	BVI 3 June 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sinomount Holdings Limited	BVI 18 October 2013	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Sino Ascend Holdings Limited	BVI 9 February 2015	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Sino Charter (Hong Kong) Limited	Hong Kong 6 January 2015	HK$1	78.11%	78.11%	Hong Kong	Dormant
Sino City (Hong Kong) Limited	Hong Kong 9 January 2014	HK$1	78.11%	78.11%	Hong Kong	Investment holding
Sino Gate Developments Limited	BVI 3 June 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sino Heritage Holdings Limited	BVI 28 October 2013	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Sino Realty Limited	Hong Kong 3 October 2006	HK$1	100%	100%	Hong Kong	Dormant

49. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2016 (note a)	2015	Place of operation	Principal activities
Sino Region Global Limited	BVI 16 February 2015	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Sino Wisdom Investments Limited	BVI 12 May 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sino Luck International Limited	BVI 3 June 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sino Tone Investments Limited	BVI 26 July 2016	1 ordinary share of US$1	100%	–	Hong Kong	Dormant
Smart Century Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Sky Link (Hong Kong) Limited	Hong Kong 27 March 2014	HK$1	78.11%	78.11%	Hong Kong	Dormant
Star Harvest Development Limited	Hong Kong 22 April 2013	HK$1	100%	100%	Hong Kong	Dormant
Success Field Holdings Limited	BVI 28 July 2016	1 ordinary share of US$1	100%	–	Hong Kong	Investment holding
Strategic Glory Limited	BVI 28 May 2014	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Success Champion Investments Limited	Hong Kong 26 March 2014	HK$1	100%	100%	Hong Kong	Dormant
Success Link (H.K.) Limited	Hong Kong 7 February 2014	HK$1	100%	100%	Hong Kong	Dormant
Success Sino Investment Limited	Hong Kong 6 November 2013	HK$1	100%	100%	Hong Kong	Dormant
Super Field Limited	Hong Kong 25 February 2005	HK$1	100%	100%	Hong Kong	Investment holding
Super Value Global Limited	BVI 28 May 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Super Victory Global Limited	BVI 30 May 2014	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Sure Right Ventures Limited	BVI 8 July 2016	1 ordinary share of US$1	100%	–	Hong Kong	Dormant
Super Viva Limited	BVI 11 March 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Taipingqiao Holding Company Limited	BVI 25 October 2011	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Target Success Investments Limited	BVI 4 March 2014	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Dormant
Team Sky Enterprises Limited	BVI 8 July 2016	1 ordinary share of US$1	100%	–	Hong Kong	Investment holding
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Toprace Corporate Limited	BVI 28 February 2014	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Top Glory (H.K.) Limited	Hong Kong 7 February 2014	HK$1	78.11%	78.11%	Hong Kong	Investment holding
Top Faith Development Limited	Hong Kong 18 April 2008	HK$1	100%	100%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	HK$1	100%	100%	Hong Kong	Investment holding
Trendex Investment Limited	Hong Kong 6 January 1997	HK$91,920,000	78.11%	78.11%	PRC	Property investment
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding

49. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2016 (note a)	2015	Place of operation	Principal activities
True Perfect Investments Limited	BVI 3 July 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Union Grow Limited	Hong Kong 8 November 2002	HK$2	–	78.11%	Hong Kong	Investment holding
Value Land Investment Limited	Cayman Islands 2 September 2011	1,010,000 ordinary shares of US$0.01 each	100%	100%	Hong Kong	Investment holding
Victory Win Development Limited	Hong Kong 18 April 2008	HK$1	100%	100%	Hong Kong	Investment holding
Visual King Limited	BVI 25 March 2013	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Winsome Sino Limited	BVI 11 October 2013	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Wise Keen International Limited	Hong Kong 24 April 2008	HK$1	100%	100%	Hong Kong	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd. (Note d)	PRC 2 August 2005	Registered and paid up capital US$273,600,000	100%	100%	PRC	Property development and property investment
上海百麗房地產開發有限公司 (Shanghai Baili Property Development Co., Ltd.*) (Note d)	PRC 29 August 2002	Registered and paid up capital RMB100,000,000	100%	100%	PRC	Property development and property investment
上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*) (Note d)	PRC 18 January 2004	Registered and paid up capital RMB37,079,950	100%	100%	PRC	Property management
上海豐誠楊浦物業管理有限公司(Shanghai Feng Cheng Yang Pu Property Management Co., Ltd*) (Note e)	PRC 21 July 2010	Registered and paid up capital RMB950,000	100%	100%	PRC	Property management
上海豐誠虹口物業管理有限公司(Shanghai Feng Cheng Hongkou Property Management Co., Ltd*) (Note e)	PRC 17 July 2015	Registered and paid up capital RMB500,000 paid up capital nil	100%	100%	PRC	Property management
上海瑞橋企業管理有限公司 (Shanghai Rui Qiao Enterprise Management Co., Ltd.*) (Note e)	PRC 23 April 2009	Registered and paid up capital RMB1,000,000	86.8%	86.8%	PRC	Property development
上海瑞展教育信息咨詢有限公司(Shanghai Rui Zhan Education Information Consultant Co., Ltd.*) (Note e)	PRC 20 April 2010	Registered capital is RMB2,000,000 and paid up capital RMB100,000	100%	100%	PRC	Provision of education information and consultancy services
瑞安管理(上海)有限公司 (Shui On Development Limited*) (formerly known as "上海瑞安房地產發展有限公司") (Note d)	PRC 14 June 2004	Registered and paid up capital US$58,000,000	100%	100%	PRC	Provision of management services
上海逑和物業管理有限公司 (formerly known as "上海豐誠逑和物業管理有限公司") (Note e)	PRC 25 November 2015	Registered capital RMB500,000 and paid up capital nil	100%	100%	PRC	Property management
上海家逑商貿有限公司 (Note e)	PRC 25 November 2015	Registered capital RMB1,000,000 and paid up capital nil	100%	100%	PRC	Retail and trade business

49. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (note a) 2016	2015	Place of operation	Principal activities
武漢瑞安商祺房產管理有限公司(Wuhan Shuion Shangqi Real Estate Management Co., Ltd) (Note d)	PRC 24 July 2012	Registered and paid up capital US$14,400,000	78.11%	78.11%	PRC	Property investment
武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd.*) (Note d)	PRC 8 January 2007	Registered and paid up capital US$1,800,000	100%	100%	PRC	Retail business
上海夏欣商業管理有限公司 (Shanghai Best Scene Commercial Management Co., Ltd*) (Note d)	PRC 31 May 2012	Registered and paid up capital US$25,000,000	78.11%	78.11%	PRC	Provision of management services
上海新天地商業管理有限公司 (Shanghai Xintiandi Management Limited*) (Note d)	PRC 25 February 2013	Registered and paid up capital US$10,000,000	78.11%	78.11%	PRC	Provision of management services
上海新天地品牌管理有限公司 (Shanghai Xintiandi Branding Management Limited*) (Note d)	PRC 9 October 2014	Registered capital RMB500,000 paid up capital nil	78.11%	78.11%	PRC	Provision of management services
新天地商務管理(上海)有限公司(Xintiandi Commercial Management (Shanghai) Limited*) (Note d)	PRC 28 August 2014	Registered capital RMB500,000 paid up capital RMB50,200.40	78.11%	78.11%	PRC	Provision of management services
上海新天地直擊文化傳播有限公司 (Shanghai Xintiandi Live Culture & Event Co., Ltd.*) (formerly known as "新天地(上海)酒店資產管理有限公司" (Xintiandi (Shanghai) Hospitality Assets Management Co., Ltd.*)) (Note d)	PRC 28 June 2014	Registered capital RMB2,800,000 paid up capital nil	78.11%	78.11%	PRC	Cultural diffusion and business information consulting
新天地(上海)酒店管理有限公司 (Xintiandi (Shanghai) Hospitality Management Co., Ltd.*) (Note d)	PRC 17 March 2014	Registered and paid up capital RMB2,800,000	100%	100%	PRC	Hotel management
大連嘉銳科技發展有限公司 (Dalian Jiarui Science & Technology Development Co., Ltd.*) (Note d)	PRC 5 November 2009	Registered and paid up capital US$10,000,000	100%	100%	PRC	Science and technology development
重慶豐德豪門實業有限公司 (Chongqing Fengde Haomen Industrial Co., Ltd.*) (Note e)	PRC 26 April 2006	Registered and paid up capital RMB10,000,000	100%	100%	PRC	Property development
瑞安建築有限公司 (Shui On Construction Co., Ltd.*) (Note b)	PRC 27 April 1985	Registered and paid up capital RMB100,000,000	100%	85%	PRC	Provision of construction services
上海德基諮詢有限公司 (Shanghai De Ji Consultant Co., Ltd.*) (Note d)	PRC 13 May 2003	Registered and paid up capital US$140,000	100%	100%	PRC	Provision of consultancy services
上海德建裝飾工程有限公司 (Shanghai De Jian Decoration Construction Co., Ltd.*) (Note d)	PRC 5 August 2008	Registered and paid up capital US$800,000	100%	100%	PRC	Provision of decoration services

49. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2016 (note a)	2015	Place of operation	Principal activities
上海衡景貿易有限公司 (Shanghai Heng Jin Trading Co., Ltd.*) (Note d)	PRC 1 August 2011	Registered and paid up capital RMB50,000,000	100%	100%	PRC	Retail business
上海創派投資諮詢有限公司 (Shanghai Chuang Pai Investment Consultancy Co., Ltd.*) (Note d)	PRC 30 July 2015	Registered capital RMB3,000,000 paid up capital RMB1,000,000	100%	100%	PRC	Investment management
上海瑞安創智商業經營管理有限公司 (Shanghai Rui An Chuang Zhi Business Management Co., Ltd.*) (Note e)	PRC 12 December 2013	Registered and paid up capital RMB500,000	86.8%	86.8%	PRC	Provision of management and consultancy services
上海瑞新房產經營有限公司 (Note d)	PRC 12 January 2015	Registered and paid up capital RMB265,000,000	100%	100%	PRC	Property management
武漢企業天地環球智慧商業管理有限公司 (formerly known as "武漢壹方商業管理有限公司") (Note e)	PRC 3 December 2015	Registered and paid up capital RMB100,000	78.11%	78.11%	PRC	Provision of management services
上海磐鋭投資管理有限公司 (Note e)	PRC 28 March 2016	Registered and paid up capital RMB50,000,000	100%	–	PRC	Investment management
上海雋復企業管理有限公司 (Note d)	PRC 20 June 2016	Registered and paid up capital RMB10,000,000	98%	–	PRC	Provision of management services
上海興雋設計諮詢有限公司 (Note e)	PRC 8 July 2016	Registered and paid up capital RMB8,000,000	98%	–	PRC	Provision of consultancy services
上海瑞安知社商業管理有限公司 (Note d)	PRC 14 September 2016	Registered and paid up capital RMB20,000,000	100%	–	PRC	Provision of management services
上海庚立實業有限公司 (Note d)	PRC 10 November 2016	Registered and paid up capital RMB1,400,000,000	100%	–	PRC	Property development
上海盛甫企業管理咨詢有限公司 (Note e)	PRC 1 December 2016	Registered and paid up capital RMB1,390,000,000	100%	–	PRC	Provision of management and consultancy services
廣州市瑞磐新安電子商務有限公司 (Note d)	PRC 16 November 2016	Registered and paid up capital RMB50,000,000	100%	–	PRC	Electronic commerce
上海駿興房地產開發有限公司 (Note g)	PRC 5 March 2009	Registered and paid up capital RMB4,661,300,000	98%	N/A	PRC	Property development and property investment

Notes:
a. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
b. This Company is a sino-foreign equity joint venture.
c. This Company is a sino-foreign cooperative joint venture.
d. This Company is a wholly-foreign owned enterprise.
e. This Company is a wholly-domestic owned enterprise.
f. Except for Shui On Development (Holding) Limited and Shui On Development (Singapore) Pte. Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2016 or at any time during the year.
g. Upon the completion of the acquisition of further equity interest in Portspin Limited during the year (note 38(a)), Portspin Limited and its subsidiaries become the subsidiaries of the Company.
* For identification purposes

49. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

	Proportion of equity interest held by non-controlling shareholders At 31 December		Profit allocated to non-controlling shareholders Year ended 31 December		Accumulated non-controlling interests At 31 December	
	2016	2015	2016 RMB'million	2015 RMB'million	2016 RMB'million	2015 RMB'million
Name of subsidiary						
China Xintiandi	21.89%	21.89%	159	327	3,012	3,783
Individually immaterial subsidiaries with non-controlling interests	N/A	N/A	80	101	1,402	1,278
			239	428	4,414	5,061

Note:
During the year ended 31 December 2015, the Investor of the convertible perpetual securities has converted the convertible perpetual securities into ordinary shares of China Xintiandi (see note 30).

Summarised financial information in respect of China Xintiandi is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	At 31 December	
	2016 RMB'million	2015 RMB'million
Current assets	1,674	10,182
Non-current assets	24,668	23,788
Current liabilities	1,940	10,823
Non-current liabilities	9,932	5,130
Equity attributable to shareholders of China Xintiandi	13,757	17,281

	Year ended 31 December	
	2016 RMB'million	2015 RMB'million
Revenue	1,068	1,138
Profit and total comprehensive income for the year	757	3,976
Dividend paid to owner of convertible perpetual securities	15	254
Dividend paid to non-controlling shareholder of China Xintiandi	927	860
Net cash (used in) from operating activities	(505)	441
Net cash from investing activities	6,213	5,952
Net cash used in financing activities	(5,686)	(7,454)
Net cash inflow (outflow)	22	(1,061)

FINANCIAL SUMMARY

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December

	2012 RMB' million	2013 RMB' million	2014 RMB' million	2015 RMB' million	2016 RMB' million
Turnover	4,821	9,828	10,249	6,472	17,600
Profit attributable to shareholders	2,029	2,125	1,778	788	1,088
Owners of convertible perpetual securities	–	–	224	174	–
Owners of perpetual capital securities	19	314	311	316	337
Owners of convertible perpetual capital securities	–	–	–	61	112
Non-controlling shareholders of subsidiaries	307	266	172	428	239
Profit for the year	2,355	2,705	2,485	1,767	1,776

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December

	2012 RMB' million	2013 RMB' million	2014 RMB' million	2015 RMB' million	2016 RMB' million
Investment properties	46,624	50,273	58,162	55,600	56,620
Property, plant,and equiptment	3,782	3,577	1,418	2,268	1,845
Prepaid lease payments	671	586	131	128	36
Properties under development for sale	20,150	22,711	14,684	20,102	21,838
Properties held for sale	3,274	1,536	4,648	2,560	4,865
Interests in and loans to associates	2,923	2,740	2,717	2,524	2,244
Interests in and loans to joint ventures	–	700	1,805	2,939	783
Account receivables, deposits, and prepayments	2,708	5,237	9,222	10,951	13,326
Other assets	852	1,062	3,106	9,484	5,089
Pledged bank deposits, restricted bank deposits, bank balances and cash	8,633	10,180	12,430	10,614	15,567
Total assets	89,617	98,602	108,323	117,170	122,213
Current liabilities	20,563	19,229	20,387	29,910	34,700
Non-current liabilities	31,786	37,199	43,014	41,142	41,257
Total liabilities	52,349	56,428	63,401	71,052	75,957
Net assets	37,268	42,174	44,922	46,118	46,256
Equity attributable to:					
Shareholders of the Company	31,481	36,155	37,811	36,645	37,450
Owners of convertible perpetual securities	–	–	2,898	16	1
Owners of convertible perpetual capital securities	–	–	–	1,346	1,345
Owners of perpetual capital securities	3,093	3,094	3,051	3,050	3,046
Non-controlling shareholders of subsidiaries	2,694	2,925	1,162	5,061	4,414
Total equity	37,268	42,174	44,922	46,118	46,256

PER SHARE DATA

for the year ended 31 December

	2012 (Restated)	2013	2014	2015	2016
Basic earnings per share (RMB)	0.32	0.28	0.22	0.10	0.14
Dividend per share					
– Interim paid (HK$)	0.025	0.022	0.022	0.022	0.011
– Final proposed (HK$)	0.035	0.040	0.040	0.028	0.039
– Full year (HK$)	0.060	0.062	0.062	0.050	0.050
Bonus shares	–	–	–	–	–

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Vincent H. S. LO (Chairman)

Mr. Douglas H. H. SUNG
(Chief Financial Officer)

Non-executive Director

Mr. Frankie Y. L. WONG

Independent Non-executive Directors

Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW
Mr. Anthony J. L. NIGHTINGALE

AUDIT COMMITTEE

Professor Gary C. BIDDLE (Chairman)
Dr. Roger L. MCCARTHY
Mr. David J. SHAW

REMUNERATION COMMITTEE

Dr. William K. L. FUNG (Chairman)
Mr. Vincent H. S. LO
Professor Gary C. BIDDLE

NOMINATION COMMITTEE

Mr. Vincent H. S. LO (Chairman)
Sir John R. H. BOND
Professor Gary C. BIDDLE

FINANCE COMMITTEE

Mr. Vincent H. S. LO (Chairman)
Mr. Frankie Y. L. WONG (Vice Chairman)
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Mr. Douglas H. H. SUNG
Mr. Anthony J. L. NIGHTINGALE

COMPANY SECRETARY

Mr. UY Kim Lun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Freshfields Bruckhaus Deringer
Mayer Brown JSM

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Grand Cayman KY1-9005
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6-8 Harbour Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China Limited
China Development Bank
China Merchants Bank Co., Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of
China Limited
Standard Chartered Bank Limited
United Overseas Bank Limited

STOCK CODE

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