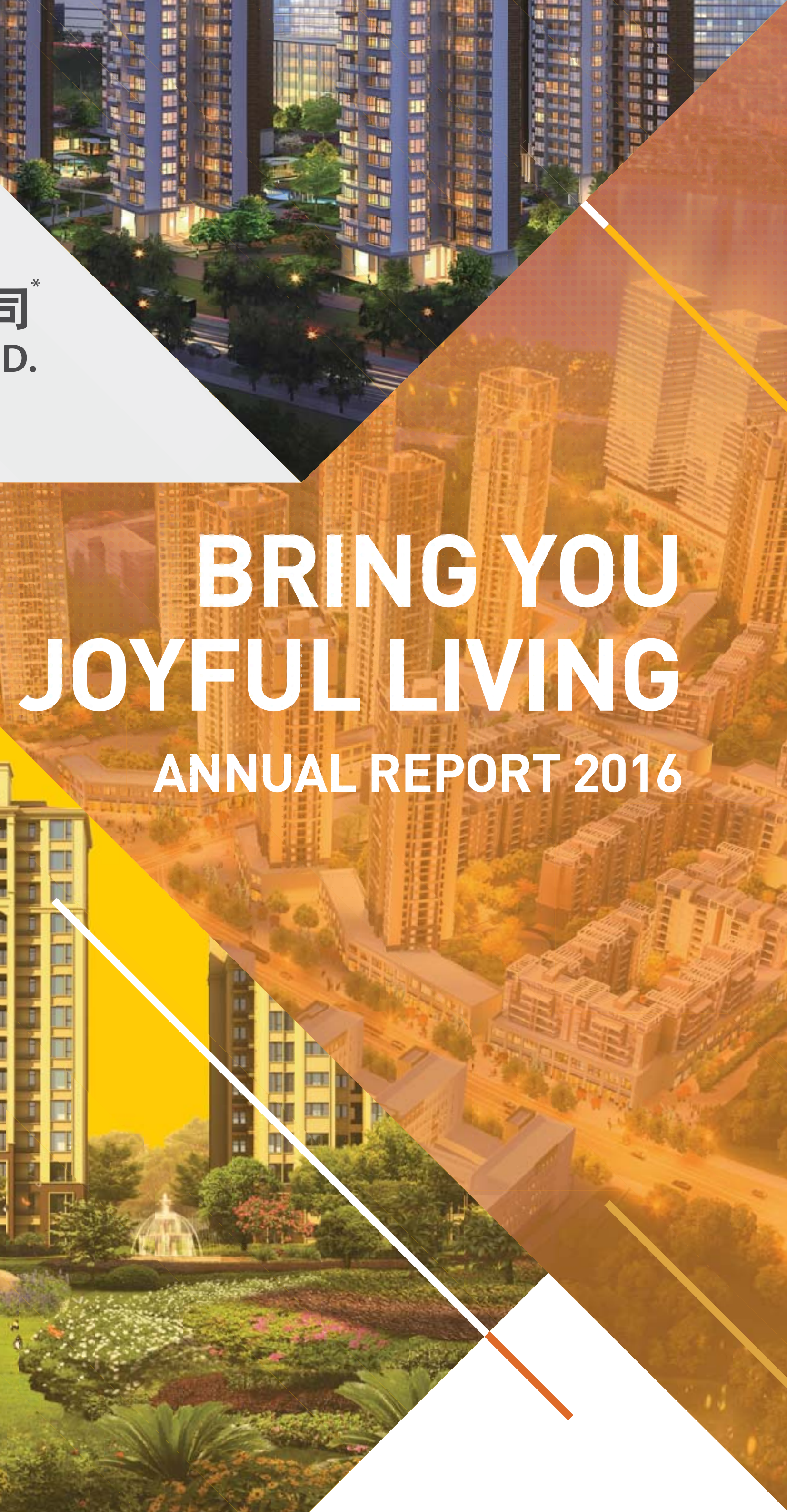
佳兆業集團控股有限公司*

KAISA GROUP HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1638



BRING YOU JOYFUL LIVING

ANNUAL REPORT 2016

* For identification purposes only

GROUP OVERVIEW

Founded in 1999, Kaisa Group Holdings Ltd. (the "**Company**" or "**Kaisa**") and its subsidiaries (collectively the "**Group**") are large-scale integrated property developer. The shares of the Company commenced trading on the Main Board of The Stock Exchange of Hong Kong Limited on 9 December 2009. Over the years, the Group has been primarily focusing on urban property development. The scope of its business covers property development, commercial operation, hotel management and property management services with products comprising residential properties, villas, offices, serviced apartments, integrated commercial buildings and mega urban complexes. Founded in Shenzhen, the Group has expanded to cover the economically-vibrant cities and regions, including the Pearl River Delta, the Yangtze River Delta, the Western China Region, the Central China region and the Pan-Bohai Bay Rim.

Kaisa is committed to the core values of "professionalism, innovation, value and responsibility" by actively participating in a wide range of urban development projects in China and we believe it will inject creativity into China's urbanisation process. We believe our brand "Kaisa" remains to be our pledge to carry out high quality property developments, to surpass the industry's standards and requirements, and of devotion to customer satisfaction.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. KWOK Ying Shing *(Chairman)*
Mr. SUN Yuenan *(Vice Chairman)*
Mr. YU Jianqing
Mr. ZHENG Yi

NON-EXECUTIVE DIRECTOR

Ms. CHEN Shaohuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. RAO Yong
Mr. ZHANG Yizhao
Mr. LIU Xuesheng

AUDIT COMMITTEE

Mr. RAO Yong *(Chairman)*
Mr. ZHANG Yizhao
Ms. CHEN Shaohuan

REMUNERATION COMMITTEE

Mr. ZHANG Yizhao *(Chairman)*
Mr. RAO Yong
Mr. KWOK Ying Shing

NOMINATION COMMITTEE

Mr. KWOK Ying Shing *(Chairman)*
Mr. RAO Yong
Mr. ZHANG Yizhao

AUTHORISED REPRESENTATIVES

Mr. SUN Yuenan
Mr. YU Jianqing

COMPANY SECRETARY

Mr. HABIBULLAH Abdul Rahman

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS IN THE PRC

Room 3306, Kerry Center
Ren Min Nan Road
Luohu
Shenzhen
China

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2001
20th Floor
Two International Finance Centre
8 Finance Street
Central
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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

PRINCIPAL BANKERS

Bank of China Limited
Industrial and Commercial Bank of China Limited
Ping An Bank Company Limited
China Citic Bank Corporation Limited

LEGAL ADVISERS

As to Hong Kong and U.S. law:
Sidley Austin

As to PRC law:
King & Wood Mallesons

As to Cayman Islands law:
Harney Westwood & Riegels

AUDITOR

Grant Thornton Hong Kong Limited

LISTING INFORMATION

Share Listing
The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
(Stock Code: 1638.HK)

COMPANY'S WEBSITE

http://www.kaisagroup.com

MILESTONES

01 JAN

- The Group signed a comprehensive strategic co-operation agreement with Ping An Bank, for a banking facility of RMB50 billion.

06 JUN

- The Group completed the restructuring of its onshore debts.
- Grant Thornton Hong Kong Limited was appointed as the auditor of the Company.

07 JUL

- The Group was awarded the honours of "Top 10 Real Estate Enterprises in Terms of Brand Value in Shenzhen" (深圳房地產品牌價值十強企業) and "Benchmark Real Estate Enterprises in Terms of Social Responsibility in Shenzhen" (深圳房地產社會責任標杆企業) at the 2016 Shenzhen Real Estate Award Ceremony cum Industry Comprehensive Evaluation Press Conference (2016深圳房地產盛典暨行業綜合評價發布會), standing out among 845 enterprises.
- The Group completed the offshore debt restructuring, including the restructuring of the existing senior notes, the convertible bonds and other offshore facilities.

09 SEP

- The Group secured the Desai Project located at Gutangao, Huicheng District, Huizhou City (惠州市惠城區古塘坳德賽項目), with a total gross floor area ("GFA") of approximately 650,000 sq.m., by way of equity transfer.
- The First China Charity Day Event cum The Third Shenzhen Charity Award Presentation Ceremony (首個中華慈善日主題活動暨第三屆鵬城慈善獎頒獎典禮) was held in Shenzhen, at which Kaisa Group was awarded the honour of "Shenzhen Charity Corporation – Gold Corporate Donor" (鵬城慈善捐贈企業金獎) for its outstanding contributions to the public welfare.

MILESTONES

10 OCT

- The construction of Kaisa Financial Centre, being the future headquarters of the Group located at the heart of Futian district in Shenzhen was commenced.
- The Group signed a strategic cooperation agreement with Nanyang Commercial Bank, in which both parties expressed their interests in cooperating on a range of matters, including collaboration over projects and financial services.

11 NOV

- The Group acquired a total of 21.72% equity interest in Mega Medical Technology Ltd. (00876) ("**Mega Medical**") and became the largest shareholder. Mega Medical is a national-level high and new tech enterprise, mainly engaging in the supply of dental equipment and consumables.
- The construction of Shenzhen Pinghu Kaisa Plaza (平湖佳兆業廣場) was commenced. The project is the first re-development project in Pinghu comprising residential, commercial, office, serviced apartment, and leisure and entertainment facilities.
- The Group signed a cooperation agreement with Tagen Group in relation to the urban redevelopment project of Municipal courtyard (市政大院). Situated in Shiling Community on Lianhua Street, Futian District (福田區蓮花街道獅嶺社區), the project currently occupies an aggregate site area of approximately 61,894 sq.m., with a plot ratio of 1.7, a total GFA of approximately 106,710 sq.m. and a total of 1,095 households.
- The launching ceremony for Kaisa Golden Bay International Park Project (佳兆業金沙灣國際樂園項目) took place in Dapeng New District (大鵬新區). Upon completion, the project will be the largest coastal holiday resort in Shenzhen, providing a wide array of service facilities including star-rated hotels, a snow world, a water park, an animation city, a performing arts centre and a sports centre.

12 DEC

- The Group successfully secured the land parcel project on Wuluo Road in the core area of the inner ring of Wuchang District, Wuhan City (武漢市武昌區內環核心武珞路地塊項目) through 100% equity interest acquisition. The project occupies a total GFA of 105,000 sq.m. and will be developed into a high-end residential community.
- The Group acquired a land parcel located in Zone M, Longzhouwan Area, Banan District, Chongqing (重慶巴南區龍洲灣組團M分區地塊). Taking up an aggregate site area of approximately 35,000 sq.m. and a GFA of approximately 90,000 sq.m., the project will be developed into an urban complex.
- The construction of Phase 2 of Kaisa Shanhai City (佳兆業山海城二期), being lot no. 7 and no. 8 under the Yantian Overall Relocation Project (鹽田整體搬遷項目) was commenced. Upon completion, over 1,400 apartments will be available for the residents affected by the relocation.
- The Construction Land Use Planning Permit (建設用地規劃許可證) was obtained for the Shenzhen Argent Project (雅駿眼鏡廠項目).
- The Group recorded total contracted sales of RMB29.843 billion, a total contracted GFA of 2.2694 million sq.m., at an average selling price of approximately RMB13,150 per sq.m..

AWARDS

Sohu Focus

January 2016

Social Responsibility Model Award of the Year

GD.QQ.COM

January 2016

Most Popular Property Developer Among Youth Born After 1985

China Property Management Association

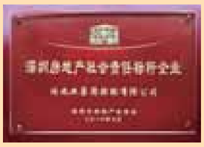
June 2016

2016 China Top 100 Property Management Companies (ranked 14th)

Shenzhen Real Estate Association

July 2016

Top 10 Shenzhen Real Estate Brand



Shenzhen Real Estate Association

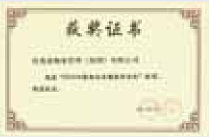
July 2016

Benchmarking Real Estate Enterprises in Corporate Responsibility in Shenzhen

Shenzhen Press Group, Shenzhen Media Group, Shenzhen Charity Federation

September 2016

Shenzhen Charity Corporation – Gold Corporate Donor



China Property Management Magazine

October 2016

2016 China's Benchmarking Property Management Companies

Southern Metropolis Daily

November 2016

Best Brand Enterprise of the Year

AWARDS

Southern Metropolis Daily, Peking University HSBC Business School

November 2016

2016 Best Social Responsibility Award

International Hotel Magazine

November 2016

2016 China's Top 10 Popular Convention and Exhibition Hotel

International Hotel Magazine

November 2016

11th International Hotel Platinum Awards Best Hotel for Family Travel in 2016

Sport Bank

December 2016

Unicorn Golden Prize

Shenzhen Municipal Bureau of Culture, Sport and Tourism

December 2016

Model Enterprise in Shenzhen Sports Industrial Base

0731 Real Estate Academy/Hunan Centaline Research Centre/Fresh Peak Real Estate Academy/Zhixin Real Estate Appraisal

January 2017

2016 Changsha Top 10 Best Selling Property

City Channel of Shenzhen Media Group

January 2017

2016 China (Shenzhen) Most Influential Leading Property Enterprise

Lanxiong Sports

January 2017

2016 Most Influential Sports & Business Decision Award

QUALITY LIVING

Quality plays a pivotal role in an enterprise’ s development
with enduring perseverance create endless possibilities

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Kaisa Group Holdings Ltd. ("Kaisa" or the "Company", together with its subsidiaries, the "Group"), I hereby present to you the annual results of the Group for the year ended 31 December 2016 (the "Year") together with the comparative figures for the previous year.

Once again, on behalf of the Board, I would like to take this opportunity to express our sincerest and utmost appreciation to all the shareholders of the Company, investors, business partners and other stakeholders for their patience and continued support to the Company despite the suspension of trading in the shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 31 March 2015. For the resumption progress, please refer to the section headed "Resumption Progress" in the Report of the Directors.

RESULTS AND DIVIDEND

For the year ended 31 December 2016, the Group's turnover and gross profit grew significantly by approximately 62.6% and 573.3% to approximately RMB17,771.5 million and RMB2,312.0 million, respectively, as compared to 2015. Loss for the year attributable to equity holders of the Company and basic loss per share were approximately RMB612.4 million and RMB11.9 cents, respectively, as compared with RMB1,121.6 million and RMB21.8 cents in 2015.

The Board does not recommend payment of a final dividend for the year ended 31 December 2016 (2015: nil).

BUSINESS REVIEW

In 2016, the real estate market in China experienced a progressively tightening trend with most of the cities putting inventory clearance and provision of support to owner-occupier housing demand on their top priorities during the first three quarters, with only a few hot-spot cities preserved their tightening policies. However, following the introduction of extensive adjustments in 22 cities since 30 September 2016, austerity measures, such as purchase and loan restrictions, spread among hot-spot cities, calling increases in transaction volume and prices to a halt in the fourth quarter of 2016. According to the data from the National Bureau of Statistics, commodity properties saw GFA sold reached 1.573 billion sq.m. in 2016, representing a year-on-year growth of 22.5% and transaction value aggregated RMB11.76 trillion, representing a year-on-year growth of 34.8%. While both the GFA sold and aggregated transaction value hit new records, commercial banks started tightening their residential mortgage lending since the fourth quarter in 2016.

In view of this, the Group actively facilitated negotiation of its onshore debts and restructuring of its offshore debts to lift of blockages and re-launching of projects for sale in major cities to unleash sales momentum on one hand, while adjusted its pace of sales and launching schedule of new projects/phases based on the respective market conditions in different cities on the other. Reaping benefits from its success in implementation of development strategies in the first tier cities and key second tier cities, the Group achieved contracted sales of approximately RMB29.8 billion for the year ended 31 December 2016, hitting a record high. In particular, sales from Pearl River Delta contributed to nearly 50% of the total contracted sales. According to the "2016 TOP 200 Real Estate Enterprise Property Developers" jointly compiled by China Real Estate Information Corporation and China Real Estate Appraisal Center, Kaisa ranked 46th in terms of contracted sales amount.

With respect to land acquisitions, during the Year, the Group acquired land parcels in Shenzhen, Wuhan, Chongqing and Huizhou through public tender, merger and acquisition, cooperative development to deliberately replenish its land bank. Leveraging its strengths in urban re-development accumulated over the years, the Group facilitated supply of land through re-development projects including Shenzhen Pinghu old town project, Shenzhen Argent Project, Shenzhen Yantian project and Zhuhai Wanzhai project. These will in turn provide high quality land bank to support the Group's sustainable development at low costs. As at 31 December 2016, approximately 80% of the Group's 21 million sq.m. land bank was located in the first tier cities and key second tier cities, laying a solid foundation for the Group's future development.

While principally engaged in real estate development, the Group has also been selectively participating in other operations such as culture and sports. The Group believes that these operations will provide Kaisa's existing and potential customers a wide range of ancillary services and premium experiences, and would lift their recognition and loyalty towards Kaisa's brand. In the long run, such operating strategy will strengthen the Group's competitiveness in acquiring land resources and help the Group upscale the industrial ecosystem and lengthen the industrial chain, which in turn will create new profit growth drivers for the Group amid intensive competition, enabling the Group to achieve sustainable development.

FINANCIAL MANAGEMENT AND FINANCING

In response to potential risks brought about by the slowdown of macro-economy, during the Year, the Group adhered to the "cash is king" principle and accelerated collection of sales proceeds in order to increase cash in hand, and strived to explore various financing channels with a view to lowering its finance costs and improving its debt structure.

In recognition of the Group's business model and development strengths by the capital market, the Group successfully entered into strategic cooperation agreements with well-known financial institutions including China Citic Bank and Ping An Bank, which have provided solid capital support for the Group to restore its rapid development.

INVESTOR RELATIONS

The Group endeavours to maintaining effective communications with its shareholders and investors through regulatory filings, announcements and meetings, in order to keep them updated with the Company's recent developments. The Group values inputs from investors and reviews its operational and financial management from time to time.

PROSPECTS

Looking forward in 2017, China's economic growth is expected to stabilise further as compared to 2016. The increases in the overall transaction volume and prices in the real estate market are expected to slow down, while the relaxed credit policy and environment will also be tightened. Despite these, the Central government will focus on supply-side structural reforms to stimulate demands modestly and the general direction to pursue reforms will stay intact. These will lay a solid foundation for the healthy and long-term development of the domestic real estate market.

The Group will continue to penetrate first tier cities and key second tier cities. Through a prudent layout of land reserves across the country, as well as reasonable allocation of sales resources based on the prevailing market conditions, the Group aims to accelerate project turnover cycles and maximise profitability. In terms of financial management and control, the Group will strengthen its cash flow management, increase efficiency of usage of funds, actively widen its financing channels, lower its finance costs and optimise its debt structure.

ACKNOWLEDGEMENT

The Board will continue to mitigate the negative impact and implement measures to manage any operational and reputational risks of the Group, and realise and enhance core strengths of the Group for its sustainable development.

I would like to take this opportunity to extend my sincerest gratitude to all of our shareholders for their enormous support on us. Our staff members have been serving the Group with their most dedicated efforts that, when coupled with support from our business partners and creditors, have fueled our courage and resilience to work with the relevant authorities and parties to resolve the whole situation surrounding us. On behalf of the Board, I would like to express my wholehearted tribute to all shareholders of the Company, investors, business partners and customers.

KWOK Ying Shing
Chairman
Hong Kong, 25 March 2017

FINE LIVING

Giving priority to customers value with enduring perseverance create endless possibilities

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the year, the Group recorded a turnover of approximately RMB17,771.5 million, representing an increase of 62.6% as compared to that of year 2015. Loss for the year attributable to equity holders of the Company amounted to approximately RMB612.4 million, as compared to approximately RMB1,121.6 million for year 2015. The net loss for the year, excluding gain on extinguishment of financial liabilities, changes in fair values of investment properties and financial derivatives, net of deferred tax increased to approximately RMB4,163.2 million, representing an increase of 2.0% as compared to that of year 2015. Basic loss per share was RMB11.9 cents as compared to RMB21.8 cents in 2015.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted sales in 2016

During the year ended 31 December 2016, the Group's contracted sales amounted to approximately RMB29.8 billion, representing an increase of 222%. Aggregated GFA sold for the year was approximately 2,269,379 sq.m., representing an increase of 81% year-on-year. Average selling price ("**ASP**") of the contracted sales increased by 78.3% year-on-year to RMB13,150 per sq.m.. The table below shows the Group's contracted sales by region in 2016:

Region	Contracted sales area (sq.m.)	Contracted sales amount (RMB in Millions)
Pearl River Delta	769,314	13,495
Yangtze River Delta	583,415	10,186
Western China Region	319,629	2,042
Central China Region	305,451	2,529
Pan-Bohai Bay Rim	291,569	1,591
Total	**2,269,379**	**29,843**

Property development

Projects completed in 2016

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the year, the GFA of newly completed projects of the Group amounted to approximately 2.2 million sq.m..

Projects under development

As at 31 December 2016, the Group had 33 projects under development with an aggregate of GFA of approximately 6.8 million sq.m..

Property management

The Group provides property management services to properties developed by the Group. During the year under review, the Group managed a total floor area of approximately 19.3 million sq.m.. In December 2016, Kaisa was ranked 14th in "2016 China Top 100 Property Management Companies" jointly compiled by China Index Research Institute and China Real Estate Top 10 Research Team. The Group's property management aim is striving to deliver excellent and professional services to its customers.

Investment properties

The Group adopts a diversified business strategy, characterised by its increase in property investment. The portfolio of investment properties will generate steady and reliable income, and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account the long-term growth potential, the overall market conditions, and its cash flows and financial condition. As at 31 December 2016, the Group held an aggregate GFA of 408,665 sq.m. completed investment properties for rental purpose.

Land bank

It remains an ongoing effort of the Group to expand its land reserve to implement the business strategy of rapid turnover model. Since late 2011, the Group started to re-focus the opportunities in first and second tier cities and provincial capitals with a focus on end-user mass market. As at 31 December 2016, the Group had a total land bank of approximately 21.3 million sq.m., which is sufficient for the Group's development needs for the next five years.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth information of these land acquisitions:

Time of Acquisition	Location	Attributable Interest	Site Area (sq.m.)	Attributable GFA (sq.m.)	Consideration (RMB in millions)	Type
August 2016	Shenzhen	100%	25,966	51,930	780.0	Commercial
October 2016	Huizhou	51%	289,160	642,174	2,393.0	Commercial and Residential
October 2016	Wuhan	100%	26,996	105,434	1,436.0	Commercial and Residential
November 2016	Shenzhen	100%	168,430	475,000	1,363.8	Commercial and Residential
December 2016	Chongqing	100%	34,787	86,968	175.0	Commercial and Residential
December 2016	Shenzhen	80%	48,773	260,000	1,801.9	Commercial and Residential
			594,112	1,621,506	7,949.7	

Outlook

In 2017, the entirely easing credit environment may come to an end, with the monetary policy expected to remain stable and moderate. The intricacy and complexity of the international political and economic environment will cause a direct impact on China's foreign trade, while the stability in domestic consumption and investment demand will ensure a more moderate economic growth. The deepening of supply-side reforms together with the measures to revive the real economy taken by the Central government will provide a good environment for the real estate market to achieve a long term and stable development. Against this backdrop, the Group will further penetrate first tier cities and key second tier cities, and speed up to realise value of the urban re-development projects. By providing high quality products and services, the Group strives to accelerate turnover of its capital, maximise profit from its projects and deliver greater value to its shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from six business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cinema, department store and cultural centre operations and (vi) others. Revenue increased by 62.6% to approximately RMB17,771.5 million in 2016 from approximately RMB10,926.5 million in 2015. 94.2% of the Group's revenue was generated from the sales of properties (2015: 94.2%) and 5.8% from other segments (2015: 5.8%).

Sales of properties

Revenue from sales of properties increased by approximately RMB6,447.1 million, or 62.6%, to approximately RMB16,739.0 million in 2016 from approximately RMB10,291.9 million in 2015. The increase was primarily due to increase in the total delivered GFA from approximately 1,132,290 sq.m. in 2015 to approximately 1,866,540 sq.m. in 2016.

Since November 2014, processing and filing of the sale and purchase agreements for unsold units of some property projects of the Group in Shenzhen were blocked (the "**Blockage**") and a number of unsoldated units in those projects were subject to freezing order imposed by local courts in the PRC (the "**Seizure**"). All Seizure and the Blockage were lifted by July 2016.

Rental income

Rental income decreased by approximately RMB4.1 million, or 1.8%, to approximately RMB228.1 million in 2016 from approximately RMB232.2 million in 2015.

Property management

Revenue from property management services increased by approximately RMB47.5 million, or 21.2%, to approximately RMB271.6 million in 2016 from approximately RMB224.1 million in 2015. This increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB14.7 million, or 21.8% to approximately RMB82.0 million in 2016 from approximately RMB67.3 million in 2015. This increase was mainly attributable to the Group's business expansion in the Pearl River Delta.

Cinema, department stores and cultural centre operations

Revenue from cinema, department stores and cultural centre operations increased by approximately RMB142.2 million, or 128.0%, to approximately RMB253.3 million in 2016 from approximately RMB111.1 million in 2015. The increase was primarily attributable to the business expansion in this segment in 2016.

Gross profit

As a result of the foregoing, the Group's gross profit increased by approximately RMB1,968.6 million, or 573.3%, to approximately RMB2,312.0 million in 2016 from approximately RMB343.4 million in 2015. The Group's gross profit margin increased to 13.0% in 2016 from 3.1% in 2015. The increase in gross profit margin was primarily attributable to less construction cost per sq.m. of property sales recognised in 2016 as compared to 2015.

Other losses – net

The Group had net other losses of approximately RMB560.5 million in 2016, as compared to net other losses of approximately RMB216.3 million in 2015. The Group's net other losses in 2016 mainly comprised write-down of completed properties held for sale and properties under development of approximately RMB670.6 million and other losses of approximately RMB37.6 million, offset by government subsidy income of approximately RMB80.1 million, gain on disposal of available-for-sales financial assets of approximately RMB38.5 million and dividend income received from available-for-sales financial assets of approximately RMB20.8 million. The Group's net other losses in 2015 mainly comprised write-down of completed properties held for sale and properties under development of approximately RMB240.3 million and other losses of approximately RMB27.8 million, offset by government subsidy income of RMB53.7 million.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB283.3 million, or 50.6%, to approximately RMB842.7 million in 2016 from approximately RMB559.4 million in 2015. The increase in selling and marketing costs was in line with the increase in the Group's contracted sales for the year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The Group's administrative expenses increased by approximately RMB679.1 million, or 63.7%, to approximately RMB1,745.3 million in 2016 from approximately RMB1,066.2 million in 2015. The increase was primarily attributable to the increase in staff costs, legal and professional fees and office expenses.

Changes in fair value of investment properties

The increase in fair value of the Group's investment properties was approximately RMB4,161.4 million in 2016 and approximately RMB3,824.5 million in 2015. The increase in fair value of the Group's investment properties in 2016 was in line with the prevailing market conditions of general increases in rental levels of comparable properties.

Changes in fair value of financial derivatives

The decrease in fair value of financial derivatives was RMB21.5 million in 2016 and RMB42.2 million in 2015. The decrease in fair value of financial derivatives in 2016 was primarily attributable to the change in fair value of the financial derivative component of MEBs. The decrease in fair value of financial derivatives in 2015 was primarily attributable to foreign exchange contracts.

Gain on Extinguishment of Financial Liabilities

On 21 July 2016, the Debt Restructuring (as defined in the Company's announcement dated 22 July 2016 (the "**Announcement**")) was effected whereby the Group's offshore debts, including various senior notes, convertible bonds, bank and other borrowings (collectively and individually referred to as the "**Original Offshore Debts**") were exchanged for new notes, being Series A-E Senior Notes and Mandatorily Exchangeable Notes as described in the Announcement (collectively and individually referred to as the "**New Offshore Debts**").

For those exchanges with substantially different terms, the Original Offshore Debts were derecognised and the New Offshore Debts were recognised at their fair values at the effective date. A gain of approximately RMB716,143,000 was recognised for the year ended 31 December 2016, representing the difference between the carrying amount of the related Original Offshore Debts derecognised and the fair value of the related New Offshore Debts recognised, net of the related fees paid and transaction costs.

Finance costs – net

The Group's net finance costs increased by approximately RMB14.0 million, or 0.7%, to approximately RMB2,120.4 million in 2016, from approximately RMB2,106.4 million in 2015. The increase was mainly due to the increase in net exchange loss by RMB242.4 million. The net exchange loss has mainly arised from the U.S. dollar denominated offshore financing as a result of the depreciation of Renminbi against the U.S. dollar.

Income tax expenses

The Group's income tax expenses increased by approximately RMB786.1 million, or approximately 55.0%, to approximately RMB2,214.3 million in 2016 from approximately RMB1,428.2 million in 2015. The increase was primarily attributable to the increase in operating profit in 2016.

Loss for the year and total comprehensive loss for the year

As a result of the foregoing, the Group's loss for the year and total comprehensive loss for the year amounted to approximately RMB347.5 million and approximately RMB347.7 million, respectively. (2015: loss for the year and total comprehensive loss for the year amounted to approximately RMB1,254.5 million).

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2016, the carrying amount of the Group's cash and bank deposits was approximately RMB16,572.6 million (31 December 2015: approximately RMB3,309.4 million), representing an increase of 400.8% as compared to that as at 31 December 2015. Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. Such guarantee deposits will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier. Additionally, as at 31 December 2016, certain of the Group's cash was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above guarantee deposits amounted to approximately RMB5,696.6 million as at 31 December 2016 (31 December 2015: approximately RMB969.4 million).

Offshore debt restructuring

The offshore debt restructuring, including the restructuring of the previous senior notes, convertible bonds and other offshore facilities, was completed on 21 July 2016 through the Company's proposed schemes of arrangement which had been respectively sanctioned by the Grand Court of the Cayman Islands and the High Court of Hong Kong. The United States Court had also granted the order to recognise the scheme sanctioned by the High Court of Hong Kong under Chapter 15 of Title 11 of the United States Code.

The previous senior notes, convertible bonds and other offshore facilities were exchanged into MEBs, five new tranches of notes and contingent value rights with amounts summarised as below:

	Principal/ Notional Amount (in US$)	Maturity/Termination
MEBs	259,486,248	31 December 2019
Series A Notes	277,460,905	31 December 2019
Series B Notes	499,429,957	30 June 2020
Series C Notes	610,414,552	31 December 2020
Series D Notes	665,906,865	30 June 2021
Series E Notes	721,398,993	31 December 2021
Total	**3,034,097,520**	
Contingent Value Rights[1]	16,283,470	31 December 2021

[1] Reflects 232,621 contingent value rights with a notional amount of US$70 each.

Borrowings and charges on the Group's assets

As at 31 December 2016, the Group had aggregate borrowings of approximately RMB87,536.8 million, of which approximately RMB7,762.3 million will be repayable within 1 year, approximately RMB78,916.5 million will be repayable between 2 and 5 years and approximately RMB858.0 million will be repayable over 5 years. As at 31 December 2016, the Group's bank loans of approximately RMB55,240.5 million were secured by plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale of the Group and certain shares of the Company's subsidiaries with total carrying values of approximately RMB59,933.2 million.

As at 31 December 2016, the New Offshore Debts were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Financial Ratios

As at 31 December 2016, the Group had a leverage ratio (i.e. its net debts (total borrowings net of cash and cash equivalents, short-term bank deposits, restricted cash and long-term bank deposits) over total assets) of 42.8% (31 December 2015: 53.9%). The Group's net current assets increased by 124.3% from approximately RMB32,289.2 million as at 31 December 2015 to approximately RMB72,421.7 million as at 31 December 2016, and the current ratio increased to 2.2 times as at 31 December 2016 as compared to 1.4 times as at 31 December 2015.

Cost of borrowings

During the year ended 31 December 2016, the Group's total cost of borrowings was approximately RMB8,177.4 million, representing an increase of approximately RMB829.8 million or 11.3% as compared to the corresponding period in 2015. The increase was primarily attributable to higher average debt balance during the year as compared to that in 2015.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 31 December 2016, the Group had cash and bank balances denominated in US$ of approximately RMB19.2 million, and in HK$ of approximately RMB68.8 million and the New Offshore Debts and the contingent value rights with an aggregate outstanding principal amount of US$3,050.4 million, and other offshore banking facilities denominated in US$ and HK$, of US$60.7 million and HK$313.1 million respectively, which are subject to foreign currency exposure.

The Group does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Financial guarantees

As at 31 December 2016, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB21,843.2 million (31 December 2015: approximately RMB15,105.9 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but the Group would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

On 12 May 2016, the Group entered into an agreement with a third party to acquire 70% equity interest in Shenzhen Marine Group Company Limited, a company that holds a parcel of land for property development in the PRC, for a cash consideration of approximately HK$6.8 billion (approximately equivalent to RMB5.8 billion). As the subsidiary acquired does not constitute a business, the acquisition was accounted for as acquisition of assets.

Save as disclosed above, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2016. There was no plan authorised by the Board for material investments or additions of capital assets at the date of this report.

Employees and remuneration policy

As at 31 December 2016, the Group had approximately 9,944 employees (31 December 2015: approximately 8,218 employees). The related employees' costs (including the directors' remuneration) for the year ended 31 December 2016 amounted to approximately RMB777.9 million. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills. Further, the Company adopted the share option scheme on 22 November 2009. Further information of such share option scheme has been set out in this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not currently known to the Group or which may not be material now but could turn out to be material in the future.

Risks pertaining to the property market in the PRC

The Group's business and revenue growth is dependent on favourable economic conditions in the PRC, particularly the performance of the PRC residential property market in the cities in which the Group develops its property development projects, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where the Group has operations, could have a material adverse effect on its business, results of operations and financial condition.

Operational Risks

The Group's operations are subject to a number of risk factors distinctive to the property related businesses. Shortages of materials, equipment and skilled labour, labour disputes, default on the part of its buyers, contractors and strategic business partners, natural catastrophes, adverse weather conditions, inadequacies or failures of internal processes or other external factors may have various levels of negative impact on the results of the Group's operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to the Group's financial loss, litigation, or damage in reputation.

Further, property development is capital intensive in nature. The Group has financed its property development projects primarily through proceeds from sales of properties and bank borrowings. It may also access the capital markets to raise further financing. Its ability to obtain external financing in the future is subject to a variety of uncertainties, including the condition of the international and domestic financial markets and financing availability and general economic conditions in the PRC. If the Group fails to secure adequate financing or renew its existing loans prior to their expiry as a result of these governmental actions and policy initiatives, there may be a material adverse effect on the business, results of operations and financial condition of the Group.

Legal Risk

The Company underwent onshore and offshore restructuring exercise and breached the relevant Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as set out in the section headed "Other non-compliances with the Listing Rules" in this report as a result of the prolonged Suspension and therefore may be subject to legal actions, disputes, disciplinary actions and regulatory investigations, which may disrupt or otherwise negatively affect the operations, financial conditions or reputation of the Group. For details of the remedial actions in respect of those breaches, please refer to the section headed "Other non-compliances with the Listing Rules" in the corporate governance report.

Financial Risk

The financial risk management of the Group are set out in note 3 to the consolidated financial statements of the Company.

PROJECT PORTFOLIO — SUMMARY

We have accumulated substantial experience in developing 101 projects. The map below shows the geographical coverage of our property development projects as at 31 December 2016.

THE PAN-BOHAI BAY RIM – SHENYANG, YINGKOU, ANSHAN, BENXI, PANJIN, HULUDAO, WEIFANG, QINGDAO, LIAOYANG, DANDONG, DALIAN

Shenyang Kaisa Center, Yingkou Dragon Bay, Yingkou Monarch Residence, Anshan Lake View Waldorf, Anshan Monarch Residence, Anshan Kaisa Plaza, Benxi Lake View Place, Panjin Kaisa Center, Huludao Suizhong Kaisa Dongdaihe, Weifang Kaisa Golden World, Qingdao Kaisa Lake View Place, Liaoyang Gongchangling Project, Dandong Kaisa Mansion No. 1, Dalian Kaisa Center, Dalian Kaisa Plaza

THE YANGTZE RIVER DELTA – JIANGYIN, CHANGZHOU, TAIZHOU, SHANGHAI, TAICANG, HANGZHOU, SUZHOU, NANJING

Jiangyin Lake View Place, Jiangyin Gushan Mocha Town, Jiangyin Kaisa Plaza, Jiangyin Zhouzhuang Golden World, Jiangyin Changjing Lake View Waldorf, Jiangyin Tonghui Garden, Jiangyin Fuqiao Homeland, Changzhou Phoenix Lake No.1, Taizhou Kaisa Mansion No.1, Shanghai Shanhuwan Garden, Shanghai Shangpin Garden, Shanghai Kaisa Mansion No. 8 Garden, Shanghai Kaisa City Plaza, Shanghai Pudong Project, Shanghai Kaisa Monarch Residence, Taicang Lake View Waldorf, Hangzhou Jade Dragon Court, Hangzhou Kaisa Monarch Residence, Hangzhou Puyu Court, Suzhou Kaisa Plaza, Suzhou Kaisa Monarch Residence, Nanjing Kaisa City Plaza

THE WESTERN CHINA REGION – CHENGDU, NANCHONG, CHONGQING

Chengdu Kaisa Monarch Residence, Chengdu Lijing Harbour, Chengdu Modern Town, Chengdu Kaisa Mansion No. 8, Chengdu Kaisa City Plaza, Chengdu Kaisa Leading Town, Nanchong Kaisa Plaza, Nanchong Monarch Residence, Chongqing Kaisa Plaza, Chongqing Kaisa Bright Harbour

THE CENTRAL CHINA REGION – CHANGSHA, ZHUZHOU, WUHAN

Changsha Lake View Place, Changsha Kaisa Times Square, Changsha Meixi Lake Project, Zhuzhou Golden World, Wuhan Golden World, Wuhan Kaisa Mansion No.1, Wuhan Kaisa Plaza

THE PEARL RIVER DELTA – SHENZHEN, GUANGZHOU, FOSHAN, HUIZHOU, DONGGUAN, ZHUHAI

Shenzhen Woodland Height, Shenzhen Mocha Town, Shenzhen Kaisa Center, Shenzhen Lake View Place, Shenzhen Xiangrui Garden, Shenzhen Mingcui Garden, Shenzhen Jincui Garden, Shenzhen Shangpin Garden, Shenzhen Kaisa Financial Center, Shenzhen Metro City, Shenzhen Kaisa City Plaza, Shenzhen Kaisa Metropolitan Homeland, Shenzhen Dapeng Kaisa Peninsula Resort, Shenzhen Kaisa Yuefeng Garden, Shenzhen Yantian City Plaza, Shenzhen Kaisa Golden Bay International Park, Shenzhen Kaisa Qianhai Plaza, Shenzhen Pinghu Kaisa Plaza, Shenzhen Kaisa Future City, Shenzhen Nan'ao Project, Guangzhou Jinmao, Guangzhou Kaisa Plaza, Guangzhou Monarch Residence, Guangzhou Kaisa Mansion No. 1, Guangzhou Kaisa Sky Villa, Guangzhou Kaisa Sky Mansion, Guangzhou Kaisa City Plaza, Foshan Shunde Kaisa Mocha Town, Foshan Shunde Kaisa Shangpin Garden, Foshan Shunde Kaisa Golden World, Dongguan Zhongyang Haomen, Dongguan Dongjiang Haomen, Dongguan Shui'an Haomen, Dongguan Dijingwan, Dongguan Le Grand Bleu, Dongguan Oasis Town, Dongguan Yulongshan Garden, Dongguan Shilong Project, Dongguan Fenggang Project, Huizhou Kaisa Mansion No. 1, Huizhou Kaisa Center, Huizhou Yuan Zhou Project, Huizhou Riverbank New Town, Huizhou Huidong Yapojiao Project, Huizhou Desai Project, Zhuhai Lake View Waldorf Garden, Zhuhai Golden World.

Total GFA of approximately

21.3 *million sq.m.*

PROJECT PORTFOLIO — SUMMARY

CITIES WE ENTERED INTO BY 2016

1. SHENYANG
2. ANSHAN
3. BENXI
4. LIAOYANG
5. PANJIN
6. HULUDAO
7. YINGKOU
8. DANDONG
9. DALIAN
10. WEIFANG
11. QINGDAO
12. TAIZHOU
13. JIANGYIN
14. CHANGZHOU
15. TAICANG
16. SUZHOU
17. NANJING
18. SHANGHAI
19. HANGZHOU
20. WUHAN
21. CHANGSHA
22. ZHUZHOU
23. NANCHONG
24. CHENGDU
25. CHONGQING
26. GUANGZHOU
27. HUIZHOU
28. DONGGUAN
29. FOSHAN
30. ZHUHAI
31. SHENZHEN

PROJECT PORTFOLIO — SUMMARY

PROJECT PORTFOLIO – AS AT 31 DECEMBER 2016

No.	Project	Address	Location	Type[1]
The Pearl River Delta				
1	Shenzhen Woodland Height [6]	Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District	Shenzhen	Residential
2	Shenzhen Mocha Town	Busha Road, Longgang District	Shenzhen	Residential
3	Shenzhen Kaisa Center [2][6]	East of Shangbu Nan Road and North of Nanyuan Road, Futian District	Shenzhen	Residential
4	Shenzhen Lake View Place	Junction of Xincheng Road and Pingxi Road, Longang District	Shenzhen	Residential
5	Shenzhen Xiangrui Garden	North of Beihuan Highway, Nanshan District	Shenzhen	Residential
6	Shenzhen Mingcui Garden	Ping'an Avenue, Liang'antian Community, Pinghu Street, Longgang District	Shenzhen	Residential
7	Shenzhen Jincui Garden	Cuizhu Road, Luohu District	Shenzhen	Residential
8	Shenzhen Shangpin Garden	Bantian Community, Bantian Street, Longgang District	Shenzhen	Residential
9	Shenzhen Kaisa Financial Center [8]	Shennan Avenue, Futian District	Shenzhen	Commercial
10	Shenzhen Metro City [2]	Buji Station, Shenhui Road, Nanmendun, Buji Town, Longgang District	Shenzhen	Residential
11	Shenzhen Kaisa City Plaza	Banxuegang Avenue, Longgang District	Shenzhen	Residential
12	Shenzhen Kaisa Metropolitan Homeland [2]	Mumianwan Station, Longgang Avenue, Buji, Longgang District	Shenzhen	Residential
13	Shenzhen Dapeng Kaisa Peninsula Resort	Yingbin Avenue, Dapeng District	Shenzhen	Commercial
14	Shenzhen Kaisa Yuefeng Garden	Bulong Road, Bantian, Longgang District	Shenzhen	Residential
15	Shenzhen Yantian City Plaza [8]	Mingzhu Avenue, Yantian District	Shenzhen	Residential
16	Shenzhen Kaisa Golden Bay International Park [3]	Xiasha Community, Dapeng Street, Dapeng District	Shenzhen	Commercial
17	Shenzhen Kaisa Qianhai Plaza	Junction of Yueliangwan Avenue and Mianshan Road, Nanshan District	Shenzhen	Residential
18	Shenzhen Pinghu Kaisa Plaza [3]	Junction of Shouzhen Street and Pinghu Avenue, Pinghu Street, Longgang District	Shenzhen	Residential
19	Shenzhen Kaisa Future City [3]	Junction of Ruyi Road and Dayun Road, Longcheng Street, Longgang District	Shenzhen	Residential
20	Shenzhen Nan'ao Project	Shuitousha Beach, Nan'ao Street, Dapeng District	Shenzhen	Commercial
21	Guangzhou Jinmao [2][7]	No. 191 Tiyu West Road, Tianhe District	Guangzhou	Commercial
22	Guangzhou Kaisa Plaza	No. 78 Huangpu Avenue West, Zhujiang New Town, Tianhe District	Guangzhou	Commercial
23	Guangzhou Monarch Residence	No. 99 Jiangnan Avenue Central, Haizhu District	Guangzhou	Residential
24	Guangzhou Kaisa Mansion No. 1	No.555 Huangpu Avenue, Finacial Center, Tianhe District	Guangzhou	Residential
25	Guangzhou Kaisa Sky Villa	Tongbao Road, Guangzhou Avenue North, Baiyun District	Guangzhou	Residential
26	Guangzhou Kaisa Sky Mansion	Lot No.20, Meihua Garden, Shatai Road, Baiyun District	Guangzhou	Residential
27	Guangzhou Kaisa City Plaza	Lot No. 49, Nangang, Yunpu Industrial Zone, Huangpu District	Guangzhou	Residential
28	Foshan Shunde Kaisa Mocha Town	Lot No.1, South of the Central District, Xingtan Town, Shunde District	Foshan	Residential
29	Foshan Shunde Kaisa Shangpin Garden	Linshang North Road, Beijiao New Town, Shunde District	Foshan	Residential
30	Foshan Shunde Kaisa Golden World	West of Waihuang Road, Ronggui Town, Shunde District	Foshan	Residential
31	Dongguan Zhongyang Haomen	Longsheng Road, Xincheng District, Shilong Town	Dongguan	Residential
32	Dongguan Dongjiang Haomen	South of Dongjiang Road,Yangwu Village and Qishi Village, Qishi Town	Dongguan	Residential
33	Dongguan Shui'an Haomen	Fengshen Avenue, Fenggang Town	Dongguan	Residential
34	Dongguan Dijingwan	Jinshawan Square, Xincheng District, Shilong Town	Dongguan	Residential
35	Dongguan Le Grand Bleu	Xinwei Village Group, Qisha Village, Shatian Town	Dongguan	Residential
36	Dongguan Oasis Town	Junction of Huancheng Road and Green Road, Xiping Community, Nancheng District	Dongguan	Residential
37	Dongguan Yulongshan Garden	Jinzhou Community, Humen Town	Dongguan	Residential
38	Dongguan Shilong Project [3]	Junction of Jiangnan Middle Road and Xihu No.1 Road, Xihu District, Shilong Town	Dongguan	Residential
39	Dongguan Fenggang Project [3]	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential
40	Huizhou Kaisa Mansion No. 1	Gutang' ao Miaozaikeng	Huizhou	Residential
41	Huizhou Kaisa Center [6][8]	No. 18 Sub-district, Jiangbei, Huicheng District	Huizhou	Commercial
42	Huizhou Yuan Zhou Project [4]	Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Boluo County	Huizhou	Residential
43	Huizhou Riverbank New Town	Jiangnan Section, Cuimeiyuan Village Committee, Hengkeng, Luoyang Town, Boluo County	Huizhou	Residential
44	Huizhou Huidong Yapojiao Project	Huangbujiao, Lianfeng Village, Renshan Town, Huidong County	Huizhou	Residential
45	Huizhou Desai Project	Junction of Zhongkai Avenue and Jinbang Road, Huicheng District	Huizhou	Residential
46	Zhuhai Lake View Waldorf Garden	Shangsha Street, Wanzai, Xiangzhou District	Zhuhai	Residential
47	Zhuhai Golden World	North of Huangyang Avenue, South of Wangbao Reservoir, Jintaisi, Doumen Town, Doumen District	Zhuhai	Residential
The Western China Region				
48	Chengdu Kaisa Monarch Residence	Erjiangsi Village, Huayang Town, Shuangliu County	Chengdu	Residential
49	Chengdu Lijing Harbour	Group 1 and 2, Huafeng Village, Yongquan Street, Wenjiang District	Chengdu	Residential
50	Chengdu Modern Town	Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County	Chengdu	Commercial
51	Chengdu Kaisa Mansion No.8	Sanzhiqu South Area, Dongsheng Street, Shuangliu County	Chengdu	Residential
52	Chengdu Kaisa City Plaza	Group 1 and 2, Machang Village, Wenjia Street Office, Qingyang District	Chengdu	Residential
53	Chengdu Kaisa Leading Town	Group 6 and 7, Taiji Community, Gongping Street Office, Wenjiang District	Chengdu	Residential
54	Nanchong Kaisa Plaza	No. 39, Zhengyang East Road, Shunqing District	Nanchong	Residential
55	Nanchong Monarch Residence	No. 308, Baituba Road, Shunqing District	Nanchong	Residential
56	Chongqing Kaisa Plaza	Longzhouwan Street, Banan District	Chongqing	Residential
57	Chongqing Kaisa Bright Harbour	Baqiao Town, Dadukou District	Chongqing	Residential

PROJECT PORTFOLIO — SUMMARY

Project phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA: Completed properties (sq. m.)	Total GFA: Under development (sq. m.)	Total GFA: Future development (sq. m.)	Interest attributable to us
1-8	160,514	580,135	580,135	–	–	100%
1-7	185,724	735,299	735,299	–	–	100%
–	5,966	98,241	98,241	–	–	100%
1-5	182,064	388,626	388,626	–	–	100%
–	57,984	143,796	143,796	–	–	100%
1-4	102,439	394,663	394,663	–	–	100%
–	9,066	105,830	105,830	–	–	100%
–	45,829	231,572	231,572	–	–	100%
–	14,411	142,000	–	–	142,000	100%
–	5,241	124,479	124,479	–	–	100%
1-4	242,172	1,548,278	934,751	210,227	403,300	100%
–	19,393	138,892	138,892	–	–	100%
1-2	48,256	186,466	186,466	–	–	100%
1-2	47,890	165,455	165,455	–	–	100%
1-3	128,902	646,937	100,211	–	546,726	100%
1-4	869,800	516,030	–	–	516,030	51%
1-2	49,582	295,749	146,060	149,689	–	51%
–	168,430	475,000	–	–	475,000	100%
1-2	48,773	260,000	–	–	260,000	80%
–	25,966	51,930	–	–	51,930	100%
–	14,192	233,322	233,322	–	–	100%
–	7,106	117,522	117,522	–	–	100%
–	7,707	56,666	56,666	–	–	100%
–	15,178	86,138	–	86,138	–	100%
1-2	65,627	230,577	–	135,798	94,779	100%
–	19,671	80,854	–	80,854	–	100%
1-4	190,742	776,318	–	776,318	–	100%
1-2	71,200	234,422	234,422	–	–	100%
–	32,819	98,021	98,021	–	–	100%
1-9	197,584	645,921	336,560	133,426	175,936	100%
1-4	82,742	377,481	377,481	–	–	100%
1-3	86,324	243,296	243,296	–	–	100%
1-2	70,734	200,386	200,386	–	–	80%
–	46,474	155,432	155,432	–	–	100%
1-4	239,050	717,084	217,023	158,773	341,288	100%
–	65,021	150,772	150,772	–	–	100%
–	33,910	109,180	109,180	–	–	100%
–	5,567	10,131	–	–	10,131	100%
–	140,022	303,258	–	–	303,258	100%
–	89,998	260,577	–	260,577	–	100%
1-3	70,859	722,945	554,386	168,559	–	100%
–	20,400	61,200	–	–	61,200	100%
1-10	1,663,969	4,326,239	709,019	338,654	3,278,567	100%
1-3	169,331	295,754	–	–	295,754	100%
1-5	289,178	642,616	–	–	642,616	51%
1-4	164,354	550,431	180,316	–	370,115	100%
1-4	192,711	317,948	109,456	150,557	57,935	100%
1-6	182,666	1,041,531	1,041,531	–	–	100%
1-7	150,071	761,542	761,542	–	–	100%
1-2	133,269	362,420	362,420	–	–	100%
1-6	120,570	633,275	340,848	–	292,427	80%
1-4	112,195	460,901	268,097	192,804	–	100%
1-2	57,837	342,533	129,086	213,447	–	100%
–	29,541	116,390	116,390	–	–	100%
1-8	256,187	813,638	813,638	–	–	100%
1-3	119,767	456,003	216,853	–	239,150	100%
1-10	324,330	986,637	159,499	88,377	738,761	100%

PROJECT PORTFOLIO — SUMMARY

No.	Project	Address	Location	Type[1]
The Pan-Bohai Bay Rim				
58	Shenyang Kaisa Center [8]	East of Qingnian Avenue, Shenhe District	Shenyang	Commercial
59	Yingkou Dragon Bay	Junction of Xinxin Road and Bohai Street, Laobian District	Yingkou	Residential
60	Yingkou Monarch Residence	West of Xuefu Road, East of Shifu Road, South of New Donghai Street, Laobian District	Yingkou	Residential
61	Anshan Lake View Waldorf	Shengli Bei Road, Lishan District	Anshan	Residential
62	Anshan Monarch Residence [3]	South of Ziyou Dong Street, East of Anqian Road, Lishan District	Anshan	Residential
63	Anshan Kaisa Plaza [2][3][6]	Renmin Road, Tiexi District	Anshan	Commercial
64	Benxi Lake View Place	Binhe Bei Road, Mingshan District	Benxi	Residential
65	Panjin Kaisa Center	No. 1, Shifu Avenue, Xinglongtai District	Panjin	Residential
66	Huludao Suizhong Kaisa Dongdaihe [3]	South of Binhai Road, Dongdaihe New Zone, Suizhong County	Huludao	Residential
67	Weifang Kaisa Golden World	North of Bailanghe Reservoir Dam, South of Weijiao Road	Weifang	Residential
68	Qingdao Kaisa Lake View Place	East of Zhongjinger Road, West of Wangsha Road and South of Baishahe, Xiazhuang Street, Chengyang District	Qingdao	Residential
69	Dandong Kaisa Mansion No. 1	South of Huanghai Street, Zhenxing District	Dandong	Residential
70	Liaoyang Gongchangling Project	Tanghe Town, Gongchangling District	Liaoyang	Residential
71	Dalian Kaisa Center	Donggang Business District, Zhongshan District	Dalian	Commercial
72	Dalian Kaisa Plaza	No. 271, Tianjin Street, Zhongshan District	Dalian	Commercial
The Central China Region				
73	Changsha Lake View Place	Jinping Village, Tiaoma County	Changsha	Residential
74	Changsha Kaisa Times Square	Yingpan Dong Road, Furong District	Changsha	Residential
75	Changsha Meixi Lake Project	Meixi Lake, Yuelu District	Changsha	Residential
76	Zhuzhou Golden World	Liyu Central Business Area, Tianyuan District	Zhuzhou	Residential
77	Wuhan Golden World	Junction of Baisha Road and Qingling Dong Road, Qingling County, Hongshan District	Wuhan	Residential
78	Wuhan Kaisa Mansion No.1	North of Zhiyin Avenue and West of Yangcheng West Road, Hanyang District	Wuhan	Residential
79	Wuhan Kaisa Plaza	No. 336, Wuluo Road, Wuchang District	Wuhan	Residential
The Yangtze River Delta				
80	Jiangyin Lake View Place	South of Xinhua Road, West of Dongwaihuan Road and North of Renmin Dong Road	Jiangyin	Residential
81	Jiangyin Gushan Mocha Town	South of Golden Gushan Garden and West of Xingfu Avenue, Gushan Town	Jiangyin	Residential
82	Jiangyin Kaisa Plaza [8]	No. 1091, Ren Min Dong Road	Jiangyin	Residential
83	Jiangyin Zhouzhuang Golden World	East of Zhouxi Dong Road, Zhouzhuang Town	Jiangyin	Residential
84	Jiangyin Changjing Lake View Waldorf	East of Xinglong Road, South of Dongshun Road, Changjing Town	Jiangyin	Residential
85	Jiangyin Tonghui Garden	South of Tongfu Road, West of Tongjiang Road, North of Tonghui Road	Jiangyin	Residential
86	Jiangyin Fuqiao Homeland	South of Binjiang Road, West of Tongdu Road, North of Chengxi Road	Jiangyin	Residential
87	Changzhou Phoenix Lake No.1	South of Qingyang Road, Xuejia Town, Xinbei District	Changzhou	Residential
88	Taizhou Kaisa Mansion No.1	West of No. 11 Road, North of Chenzhuang Road, Taizhou Economic Development Zone	Taizhou	Residential
89	Shanghai Shanhuwan Garden	No.4333 Alley, Haima Road, Haiwan Town, Fengxian District	Shanghai	Residential
90	Shanghai Shangpin Garden	Kangfeng North Road and Kangnian Road, Malu Town, Jiading District	Shanghai	Residential
91	Shanghai Kaisa Mansion No.8	No. 99 Alley, Juting Road, Zhuanghang Town, Fengxian District	Shanghai	Residential
92	Shanghai Kaisa City Plaza	Intersection of Chengliu Road and Shengzhu East Road, Xuhang Town, Jiading District	Shanghai	Residential
93	Shanghai Pudong Project	Intersection of Middle Yanggao Road and Minsheng Road, Pudong District	Shanghai	Commercial
94	Shanghai Kaisa Monarch Residence	Intersection of Fumao Road and Songjian Road, Chonggu Town, Qingpu District	Shanghai	Residential
95	Taicang Lake View Waldorf	No. 1 Jinan Road, Science-Education New Town	Taicang	Residential
96	Hangzhou Jade Dragon Court	North of Zhennan Road, Zhijiang Holiday Resort Area, Xihu District	Hangzhou	Residential
97	Hangzhou Kaisa Monarch Residence	West of Donghu Road and North of Shitang Road, Qiaosi Street, Yuhang District	Hangzhou	Residential
98	Hangzhou Puyu Court	Jingfeng Community, Wuchang Street,Yuhang District	Hangzhou	Residential
99	Suzhou Kaisa Plaza	South of Zhuyuan Road, West of Tayuan Road, Shishan Street, Gaoxin District	Suzhou	Residential
100	Suzhou Kaisa Monarch Residence	East of Sudai Road, South of Xingye Road, Huangqiao Street, Xiangcheng District	Suzhou	Residential
101	Nanjing Kaisa City Plaza [3]	Lot No.20-7, Hexinan Area, Jianye District	Nanjing	Residential
	Total[5]			

Note:

1 Residential properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities.
2 The projects are renovation developments of once distressed assets and partially completed properties.
3 "Including
(i) Shenzhen Kasia Golden Bay International Park;
(ii) Shenzhen Pinghu Kaisa Plaza;
(iii) Shenzhen Kaisa Future City;
(iv) Dongguan Shilong Project;
(v) Dongguan Fenggang Project;
(vi) a portion of land with a site area of 121,709 sq.m. for Anshan Monarch Residence;
(vii) a portion of land with a site area of 3,208 sq.m. for Anshan Kaisa Plaza;
(viii) a portion of land with a site area of 457,756 sq.m. for Huludao Suizhong Kaisa Dongdaihe;
for which as at 31 December 2016, we have not obtained the land use rights certificates, but have entered into land grant contracts or obtained confirmation from the relevant land and resources bureau that we have been selected as the winner of the public listing-for-sale process."
4 Based on our internal project plans but subject to the governmental approval.
5 Including completed properties sold.
6 Including certain commercial spaces held for investment. Such commercial spaces are held either under long term lease (for Shenzhen Woodland Height, with GFA of approximately 4,959 sq.m.) or medium term lease (for Shenzhen Woodland Height, Shenzhen Kaisa Center, Phase 1 of Huizhou Kaisa Center and a portion of Anshan Kaisa Plaza, with GFA attributable to the Group of approximately 7,927 sq.m., 19,170 sq.m., 12,008 sq.m. and 34,113 sq.m., respectively).
7 Including certain commercial spaces and car parks held for investment under medium term lease, with an aggregate GFA of approximately 43,503 sq.m..
8 Including certain office and commercial spaces held for investment. Such office and commercial spaces are held either under medium term lease (for Phase 2 of Huizhou Kaisa Center, Shenzhen Kaisa Financial Center, Shenzhen Yantian City Plaza, Jiangyin Kaisa Plaza and Shenyang Kaisa Center, with GFA of approximately 141,241 sq.m., 142,000 sq.m., 66,736 sq.m., 58,008 sq.m. and 113,219 sq.m., respectively).
9 As of 31 December 2016, completed properties held for sale had a total GFA of approximately 2,115,574 sq.m..

PROJECT PORTFOLIO — SUMMARY

Project phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA: Completed properties (sq. m.)	Total GFA: Under development (sq. m.)	Total GFA: Future development (sq. m.)	Interest attributable to us
–	21,423	292,331	–	292,331	–	100%
–	220,669	593,302	333,391	–	259,911	100%
–	71,922	233,745	233,745	–	–	100%
1-2	257,090	390,325	206,590	–	183,735	100%
1-2	129,739	389,216	–	–	389,216	100%
1-2	11,238	85,148	72,264	12,884	–	100%
–	122,200	323,120	253,271	69,849	–	100%
1-2	52,812	355,786	170,716	–	185,070	100%
1-4	1,269,571	1,976,565	47,581	914,084	1,014,900	100%
1-4	128,018	131,112	–	131,112	–	100%
1-3	229,864	393,353	179,701	88,167	125,485	100%
1-4	133,340	331,542	124,946	89,315	117,281	100%
–	372,427	108,570	–	108,570	–	100%
–	26,610	156,239	–	156,239	–	100%
–	15,955	78,454	78,454	–	–	100%
1-4	673,536	938,203	938,203	–	–	100%
–	21,770	108,731	108,731	–	–	100%
1-3	147,067	444,314	–	184,334	259,980	100%
1-3	222,182	597,728	597,728	–	–	100%
1-3	181,493	605,941	605,941	–	–	100%
–	40,351	156,136	–	156,136	–	100%
–	26,861	143,162	–	–	143,162	100%
1-3	225,533	272,274	272,274	–	–	100%
1-4	76,465	132,849	132,849	–	–	100%
1-3	158,240	553,177	553,177	–	–	100%
1-2	103,589	220,546	220,546	–	–	100%
1-2	93,275	149,763	149,763	–	–	100%
–	41,440	73,615	73,615	–	–	100%
–	35,801	134,535	134,535	–	–	100%
1-2	101,819	253,356	253,356	–	–	100%
1-3	192,505	327,303	73,408	–	253,896	51%
1-4	104,796	140,151	140,151	–	–	100%
–	23,307	84,448	84,448	–	–	100%
1-2	143,053	251,926	116,474	–	135,452	100%
1-3	117,255	331,724	124,978	206,746	–	100%
–	11,088	77,811	–	77,811	–	100%
1-2	90,642	212,240	–	212,240	–	100%
1-3	87,741	201,346	201,346	–	–	100%
–	39,376	98,041	98,041	–	–	100%
–	36,595	100,849	100,849	–	–	100%
–	74,779	207,476	–	207,476	–	100%
1-2	33,234	123,216	–	123,216	–	100%
1-2	59,629	197,069	–	197,069	–	100%
1-3	109,832	415,986	–	415,986	–	100%
	14,293,437	**38,601,464**	**19,448,712**	**6,787,761**	**12,364,991**	

PROJECT PORTFOLIO — SUMMARY

PROPERTIES UNDER DEVELOPMENT

The table below sets forth certain information of our property projects or project phases under development as at 31 December 2016. We have obtained land use rights certificates and construction works commencement permits for all of our properties under development.

Project	City	Project Phase	Total GFA or Estimated Total GFA (sq.m.)	Saleable GFA or Estimated Total Saleable GFA (sq.m.)
Shenzhen Kaisa City Plaza	Shenzhen	4(2)	210,227	2,654
Shenzhen Kaisa Qianhai Plaza	Shenzhen	2	149,689	113,449
Guangzhou Kaisa Mansion No. 1	Guangzhou	–	86,138	37,852
Guangzhou Kaisa Sky Villa	Guangzhou	1	135,798	43,208
Guangzhou Kaisa Sky Mansion	Guangzhou	–	80,854	31,210
Guangzhou Kaisa City Plaza	Guangzhou	1	486,725	180,926
Guangzhou Kaisa City Plaza	Guangzhou	2	113,419	84,120
Guangzhou Kaisa City Plaza	Guangzhou	3	60,914	60,914
Guangzhou Kaisa City Plaza	Guangzhou	4	115,259	64,191
Foshan Shunde Kaisa Golden World	Foshan	6(3)	43,154	42,789
Foshan Shunde Kaisa Golden World	Foshan	8	90,272	89,211
Dongguan Le Grand Bleu	Dongguan	2	158,773	158,773
Huizhou Kaisa Mansion No. 1	Huizhou	–	260,577	221,490
Huizhou Kaisa Center	Huizhou	3	168,559	108,439
Huizhou Riverbank New Town	Huizhou	3(3)	23,421	20,233
Huizhou Riverbank New Town	Huizhou	5	177,623	143,176
Huizhou Riverbank New Town	Huizhou	6	107,939	87,712
Huizhou Riverbank New Town	Huizhou	8	29,671	28,758
Zhuhai Golden World	Zhuhai	2	58,515	41,543
Zhuhai Golden World	Zhuhai	3	92,042	78,503
Chengdu Kaisa City Plaza	Chengdu	3	96,246	84,977
Chengdu Kaisa City Plaza	Chengdu	4	96,558	80,041
Chengdu Kaisa Leading Town	Chengdu	2	213,447	154,624
Chongqing Kaisa Bright Harbour	Chongqing	2	88,377	78,201
Shenyang Kaisa Center	Shenyang	–	292,331	96,278
Anshan Kaisa Plaza	Anshan	1-2	12,884	12,884
Benxi Lake View Place	Benxi	–	69,849	62,150
Huludao Suizhong Kaisa Dongdaihe	Huludao	1	633,596	482,917
Huludao Suizhong Kaisa Dongdaihe	Huludao	2	280,488	271,349
Weifang Kaisa Golden World	Weifang	1	27,922	15,855
Weifang Kaisa Golden World	Weifang	2	103,190	60,898
Qingdao Kaisa Lake View Place	Qingdao	2	88,167	69,645
Dandong Kaisa Mansion No. 1	Dandong	2	89,315	57,209
Liaoyang Gongchangling Project	Liaoyang	–	108,570	40,290
Dalian Kaisa Center	Dalian	–	156,239	118,619
Changsha Meixi Lake Project	Changsha	1	78,634	52,393
Changsha Meixi Lake Project	Changsha	2	105,700	89,347
Wuhan Kaisa Mansion No.1	Wuhan	–	156,136	119,219
Shanghai Kaisa City Plaza	Shanghai	2	78,431	53,808
Shanghai Kaisa City Plaza	Shanghai	3	128,315	83,859
Shanghai Pudong Project	Shanghai	–	77,811	77,811
Shanghai Kaisa Monarch Residence	Shanghai	–	212,240	141,267
Hangzhou Puyu Court	Hangzhou	–	207,476	140,336
Suzhou Kaisa Plaza	Suzhou	1	72,448	57,227
Suzhou Kaisa Plaza	Suzhou	2	50,768	36,607
Suzhou Kaisa Monarch Residence	Suzhou	1-2	197,069	167,509
Nanjing Kaisa City Plaza	Nanjing	1	119,186	68,455
Nanjing Kaisa City Plaza	Nanjing	2	118,189	83,302
Nanjing Kaisa City Plaza	Nanjing	3	178,611	127,878
Total			**6,787,761**	**4,621,452**

PROJECT PORTFOLIO — SUMMARY

Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
July 2014	Not yet obtained	2019 2nd quarter	100%
March 2016	Not yet obtained	2018 2nd quarter	51%
January 2015	Not yet obtained	2018 3rd quarter	100%
December 2016	Not yet obtained	2018 4th quarter	100%
July 2014	Yes	2017 1st quarter	100%
August 2014	Yes	2017 1st quarter	100%
December 2015	Not yet obtained	2019 2nd quarter	100%
December 2015	Not yet obtained	2019 2nd quarter	100%
December 2015	Not yet obtained	2019 2nd quarter	100%
April 2016	Yes	2017 4th quarter	100%
August 2011	Not yet obtained	2018 4th quarter	100%
May 2016	Not yet obtained	2019 2nd quarter	100%
April 2014	Yes	2017 2nd quarter	100%
August 2013	Yes	2017 2nd quarter	100%
February 2014	Not yet obtained	2018 2nd quarter	100%
September 2016	Not yet obtained	2019 1st quarter	100%
December 2016	Not yet obtained	2019 1st quarter	100%
September 2015	Not yet obtained	2018 2nd quarter	100%
March 2012	Not yet obtained	2018 4th quarter	100%
December 2012	Not yet obtained	2019 3rd quarter	100%
February 2016	Yes	2018 2nd quarter	100%
April 2016	Not yet obtained	2018 2nd quarter	100%
April 2015	Yes	2017 4th quarter	100%
May 2015	Yes	2017 2nd quarter	100%
May 2012	Yes	2017 2nd quarter	100%
October 2016	Not yet obtained	2017 4th quarter	100%
August 2012	Yes	2017 2nd quarter	100%
October 2011	Yes	2017 1st quarter	100%
August 2013	Yes	2017 4th quarter	100%
November 2012	Yes	2017 3rd quarter	100%
May 2013	Not yet obtained	2019 4th quarter	100%
May 2014	Yes	2017 4th quarter	100%
June 2016	Yes	2017 4th quarter	100%
April 2014	Yes	2019 2nd quarter	100%
September 2013	Yes	2017 4th quarter	100%
May 2015	Yes	2017 4th quarter	100%
December 2015	Not yet obtained	2017 4th quarter	100%
November 2014	Yes	2017 4th quarter	100%
December 2013	Yes	2017 4th quarter	100%
March 2014	Yes	2017 4th quarter	100%
March 2016	Not yet obtained	2018 4th quarter	100%
June 2016	Yes	2018 4th quarter	100%
May 2014	Yes	2017 2nd quarter	100%
August 2014	Yes	2017 4th quarter	100%
March 2016	Yes	2018 2nd quarter	100%
November 2014	Yes	2017 4th quarter	100%
November 2014	Yes	2017 1st quarter	100%
February 2016	Yes	2018 2nd quarter	100%
April 2016	Not yet obtained	2018 1st quarter	100%

PROJECT PORTFOLIO — SUMMARY

PROPERTIES HELD FOR FUTURE DEVELOPMENT

The table below sets forth certain information of our property projects held for future development as at 31 December 2016.

Project
Shenzhen Kaisa Financial Center
Shenzhen Kaisa City Plaza
Shenzhen Yantian City Plaza
Shenzhen Kaisa Golden Bay International Park
Shenzhen Pinghu Kaisa Plaza
Shenzhen Kaisa Future City
Shenzhen Nan'ao Project
Guangzhou Kaisa Sky Villa
Foshan Shunde Kaisa Golden World
Dongguan Le Grand Bleu
Dongguan Shilong Project
Dongguan Fenggang Project
Huizhou Yuan Zhou Project
Huizhou Riverbank New Town
Huizhou Huidong Yapojiao Project
Huizhou Desai Project
Zhuhai Lake View Waldorf Garden
Zhuhai Golden World
Chengdu Kaisa Mansion No.8
Chongqing Kaisa Plaza
Chongqing Kaisa Bright Harbour
Yingkou Dragon Bay
Anshan Monarch Residence
Anshan Lake View Waldorf
Panjin Kaisa Center
Huludao Suizhong Kaisa Dongdaihe
Qingdao Kaisa Lake View Place
Dandong Kaisa Mansion No. 1
Changsha Meixi Lake Project
Wuhan Kaisa Plaza
Taizhou Kaisa Mansion No.1
Shanghai Kaisa Mansion No.8
Total

Note:

1. For projects with multiple phases, the estimated time for completing the first phase of the project.

PROJECT PORTFOLIO — SUMMARY

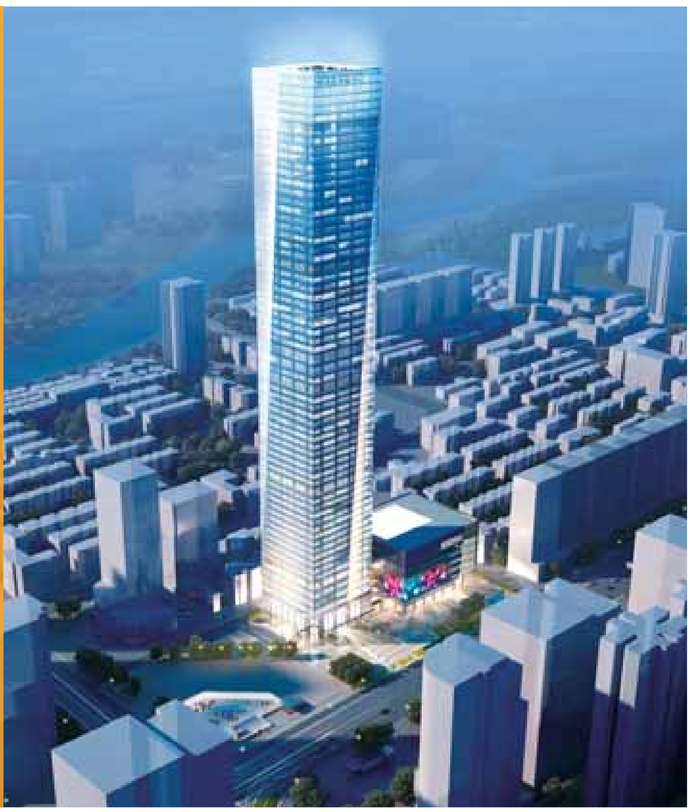
Location	Project Phase	Estimated Total GFA (sq.m.)	Estimated Completion Time[1]
Shenzhen	–	142,000	2020
Shenzhen	3	403,300	2020
Shenzhen	1-3	546,726	2019
Shenzhen	1-4	516,030	2019
Shenzhen	–	475,000	2019
Shenzhen	1-2	260,000	2019
Shenzhen	–	51,930	2020
Guangzhou	–	94,779	2019
Foshan	6-9	175,936	2017
Dongguan	3-4	341,288	2019
Dongguan	–	10,131	2019
Dongguan	–	303,258	2020
Huizhou	–	61,200	2018
Huizhou	7-10	3,278,567	2017
Huizhou	1-3	295,754	2017
Huizhou	1-5	642,616	2018
Zhuhai	2-3	370,115	2018
Zhuhai	3-4	57,935	2017
Chengdu	4-6	292,427	2018
Chongqing	2-3	239,150	2017
Chongqing	3-10	738,761	2018
Yingkou	2	259,911	2020
Anshan	1-2	389,216	2018
Anshan	2	183,735	2020
Panjin	2	185,070	2018
Huludao	2-4	1,014,900	2018
Qingdao	3	125,485	2019
Dandong	2-3	117,281	2018
Changsha	1-2	259,980	2018
Wuhan	–	143,162	2019
Taizhou	2-3	253,896	2018
Shanghai	2	135,452	2018
		12,364,991	

PROJECT PORTFOLIO — THE PEARL RIVER DELTA

SHENZHEN

SHENZHEN KAISA CITY PLAZA (深圳佳兆業城市廣場)

Shenzhen Kaisa City Plaza is an urban redevelopment project and is located at Banxuegang Avenue, Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 242,172 sq.m. with a total GFA of approximately 1,548,278 sq.m. The project has currently obtained the final approval from the relevant departments of Shenzhen Government and can be used for commercial and residential purposes. This project is expected to be a large-scale integrated residential, commercial and hotel project, with a kindergarten, a nine-year integrated curriculum school and other ancillary facilities. The project is divided into four phases and is expected to comprise 29 high-rise buildings.



SHENZHEN KAISA FINANCIAL CENTER (深圳佳兆業環球中心)

Shenzhen Kaisa Financial Center is located at Shennan Avenue in Futian District, Shenzhen. Shenzhen Science and Technology Museum Station of Shenzhen Metro Line No. 1, Shenzhen Ping'an Bank Building and Shenzhen New City Plaza are in the vicinity of this project. Shenzhen Kaisa Financial Center occupies an aggregate site area of approximately 14,411 sq.m. with a total GFA of approximately 142,000 sq.m.. Shenzhen Kaisa Financial Center is expected to comprise one highrise office building with hotel, retail space and public car parking spaces.

SHENZHEN KAISA QIANHAI PLAZA (深圳佳兆業前海廣場)

Shenzhen Kaisa Qianhai Plaza is located at the junction of Yueliangwan Main Road and Mianshan Road in Nanshan District. This project is adjacent to Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (前海深港現代服務業合作區), occupying an aggregate site area of 49,582 sq.m. with a total GFA of approximately 295,749 sq.m.. Shenzhen Kaisa Qianhai Plaza comprises six high-rise buildings and is divided into two phases.

PROJECT PORTFOLIO — THE PEARL RIVER DELTA

SHENZHEN KAISA GOLDEN BAY INTERNATIONAL PARK (深圳佳兆業金沙灣國際樂園)

Shenzhen Kaisa Golden Bay International Park is located at Xiasha Community, Dapeng Street, Dapeng New Town. This project occupies an aggregate site area of 869,800 sq.m. with a total GFA of approximately 516,030 sq.m. The Project is for comprehensive use and expected to be developed as a coastal eco-tourism resort comprising commercial streets, tourism and cultural attractions, hotel and business apartments. This project is divided into four phases.

SHENZHEN PINGHU KAISA PLAZA (深圳平湖佳兆業廣場)

Shenzhen Pinghu Kaisa Plaza is an urban redevelopment project and is located at Junction of Shouzhen Street and Pinghu Avenue, Pinghu Street, central district of Pinghu in Longgang District, Shenzhen. It is adjacent to the Shenzhen Metro Line 10 which is under planning. This project occupies a site area of 168,430 sq.m. with a total GFA of approximately 475,000 sq.m.. Shenzhen Pinghu Kaisa Plaza is intended for commercial and type 2 residential uses, and is expected to comprise residential, commercial and office buildings as well as serviced apartments.

PROJECT PORTFOLIO — THE PEARL RIVER DELTA

SHENZHEN KAISA FUTURE CITY
(深圳佳兆業未來城)

Shenzhen Kaisa Future City is an urban redevelopment project and is located at Junction of Ruyi Road and Dayun Road, Longcheng Street, Longgang District, Shenzhen. It is adjacent to the Shenzhen Universiade Sports Centre and Longcheng Park in Longgang District. This project occupies a site area of 48,773 sq.m. with a total GFA of approximately 260,000 sq.m.. Shenzhen Kaisa Future City is intended for commercial and type 2 residential uses, and is expected to comprise residential, commercial and office buildings as well as serviced apartments. The project is divided into two phases.

HUIZHOU

HUIZHOU KAISA CENTER
(惠州佳兆業中心)

Huizhou Kaisa Center is located in Jiangbei Community, Huicheng District, Huizhou. Huizhou Municipal Government Building, Huizhou Light Rail No. 1 and Huizhou-Dongguan Intercity Light Rail are in the vicinity. This project occupies an aggregate site area of approximately 70,859 sq.m. with a total GFA of approximately 722,945 sq.m.. Huizhou Kaisa Center is expected to be a residential-commercial integrated project which comprises 2 high-rise residential buildings, one office building with a hotel and complementary commercial properties. The project is divided into three phases.

PROJECT PORTFOLIO — THE PEARL RIVER DELTA

HUIZHOU RIVERBANK NEW TOWN (惠州東江新城)

Huizhou Riverbank New Town is located in Boluo County, Huizhou and adjacent to Binjiang Park. This project occupies an aggregate site area of approximately 1,663,969 sq.m. with a total GFA of approximately 4,326,239 sq.m.. This project is expected to be a residential-commercial integrated project, mainly comprising villas, townhouses, multi-level and high-rise residential, hotel and commercial ancillary properties. The project is expected to be divided into 10 phases.

GUANGZHOU

GUANGZHOU KAISA MANSION NO. 1 (廣州佳兆業壹號)

Guangzhou Kaisa Mansion No.1 is located at the intersection of Huangpu Avenue and Chebei Road, Chebei Nan Station of Guangzhou Metro Line No. 5, within the scope of the planned Guangzhou International Financial Town, in Tianhe District in Guangzhou. The project occupies an aggregate site area of approximately 15,178 sq.m. with a total GFA of approximately 86,138 sq.m..

PROJECT PORTFOLIO — THE PEARL RIVER DELTA

GUANGZHOU KAISA SKY VILLA (廣州佳兆業天墅)

Guangzhou Kaisa Sky Villa is located at Tongbao Road, North of Guangzhou Avenue, Baiyun District in Guangzhou, with Tonghe Station of Guangzhou Metro Line No. 3 in the vicinity. The project occupies an aggregate site area of approximately 65,627 sq.m. with a total GFA of approximately 230,577 sq.m., of which 70,155 sq.m. is for social housing and healthcare establishments. This project will be developed into residential products with saleable GFA of approximately 72,966 sq.m.. This project is expected to comprise highrise residential buildings and villas with supplementary commercial space.

GUANGZHOU KAISA SKY MANSION (廣州佳兆業天御)

Guangzhou Kaisa Sky Mansion is located at Shatai Road, Baiyun District in Guangzhou, with Meihuayuan Station of Guangzhou Metro Line No. 3 in the vicinity. The project occupies a site area of approximately 19,671 sq.m., with a total GFA of approximately 80,854 sq.m., of which 20,586 sq.m. is for development of social housing. The project will be developed into residential products with saleable GFA of approximately 31,210 sq.m.. The project is expected to comprise three high-rise residential buildings with a clubhouse.

PROJECT PORTFOLIO — THE PEARL RIVER DELTA

GUANGZHOU KAISA CITY PLAZA (廣州佳兆業城市廣場)

Guangzhou Kaisa City Plaza is located at Nangang, Yunpu Industrial Zone, Huangpu District in Guangzhou. The project occupies a site area of approximately 190,742 sq.m., with a total GFA of approximately 776,318 sq.m., of which 157,800 sq.m. is for development of social housing. The project will be developed into residential and commercial integrated project with saleable GFA of approximately 425,831 sq.m. and it is divided into four phases.

ZHUHAI

ZHUHAI LAKE VIEW WALDORF GARDEN (珠海水岸華都花園)

Zhuhai Lake View Waldorf Garden is located at Shangsha Street, Wanzai, Xiangzhou District, Zhuhai, which is very close to the Customs of Wanzai, Zhuhai and Macau. This project occupies an aggregate site area of approximately 164,354 sq.m. with a total GFA of approximately 550,431 sq.m.. This project is expected to be a residential complex comprising buildings and ancillary facilities, and is divided into four phases.

PROJECT PORTFOLIO — THE WESTERN CHINA REGION

CHONGQING

CHONGQING KAISA PLAZA (重慶佳兆業廣場)

Chongqing Kaisa Plaza is located at Longzhouwan Street, Banan District, Chongqing. The project occupies an aggregate site area of approximately 119,767 sq.m. with a total GFA of approximately 456,003 sq.m.. This project is expected to be divided into three phases and composed of residential, commercial streets, office buildings and LOFT offices. It will be developed as to an urban complex.

CHONGQING KAISA BRIGHT HARBOUR (重慶佳兆業濱江新城)

Chongqing Kaisa Bright Harbour is located at Liujiaba, Dadukou District, Chongqing. The project occupies an aggregate site area of approximately 324,330 sq.m. with a total GFA of approximately 986,637 sq.m.. This project is expected to be divided into ten phases and composed of high-rise residential, houses, commercial streets, educational institutions as well as research and development oriented industrial office building.

PROJECT PORTFOLIO — THE WESTERN CHINA REGION

CHENGDU

CHENGDU KAISA MANSION NO. 8 (成都佳兆業8號)

Chengdu Kaisa Mansion No. 8 is located at Dongsheng Street, Shuangliu County, Chengdu. The project occupies an aggregate site area of approximately 120,570 sq.m. with a total GFA of approximately 633,275 sq.m.. This residential project is expected to be divided into six phases.

CHENGDU KAISA CITY PLAZA (成都佳兆業城市廣場)

Chengdu Kaisa City Plaza is located at Wenjia Street, Qingyang District in Chengdu. This project occupies an aggregate site area of approximately 112,195 sq.m. with a total GFA of approximately 460,901 sq.m.. This project will be developed into residential complex and is divided into four phases.

PROJECT PORTFOLIO — THE PAN-BOHAI BAY RIM

SHENYANG

SHENYANG KAISA CENTER (瀋陽佳兆業中心)

Shenyang Kaisa Center is located in Qingnian Avenue, Shenhe District, Shenyang, which is at the core of Jinlang Commercial Circle. This project occupies an aggregate site area of approximately 21,423 sq.m. with a total GFA of approximately 292,331 sq.m.. This project is expected to be a residential-commercial project which comprises two residential buildings, one office building and commercial properties.

DALIAN

DALIAN KAISA CENTER (大連佳兆業中心)

Dalian Kaisa Center is located at Donggang Business District, Zhongshan District, Dalian. The project occupies an aggregate site area of approximately 26,610 sq.m. with a total GFA of approximately 156,239 sq.m.. The commercial project is in the vicinity of metro station in Dalian's CBD.

PROJECT PORTFOLIO — THE PAN-BOHAI BAY RIM

QINGDAO

QINGDAO KAISA LAKE VIEW PLACE (青島佳兆業水岸新都)

Qingdao Kaisa Lake View Place is located at East of Zhongjing'er Road, Xiazhuang Street, Chengyang District in Qingdao. The project occupies an aggregate site area of approximately 229,864 sq.m. with a total GFA of approximately 393,353 sq.m.. This project is expected to be a residential complex with supplementary commercial space and is divided into three phases.

HULUDAO

HULUDAO SUIZHONG KAISA DONGDAIHE (葫蘆島綏中佳兆業東戴河)

Huludao Suizhong Kaisa Dongdaihe is located at Binhai Economic Zone, Suizhong County, Huludao connecting the major routes between northern and northeast China and is in the vicinity of the scenic region of Shanhaiguan and occupies a quality coastline of 4 km that enjoys a splendid natural environment. This project occupies an aggregate site area of approximately 1,269,571 sq.m. with an expected total GFA of approximately 1,976,565 sq.m.. This project is expected to be a large scale residential-commercial complex and is divided into four phases.

DANDONG

DANDONG KAISA MANSION NO. 1 (丹東佳兆業壹號)

Dandong Kaisa Mansion No. 1 is located at Huanghai Street, Zhenxing District, Dandong. This project occupies an aggregate site area of approximately 133,340 sq.m. with a total GFA of approximately 331,542 sq.m.. This project is expected to be a residential project with commercial space and is divided into four phases.

PROJECT PORTFOLIO — THE CENTRAL CHINA REGION

CHANGSHA

CHANGSHA KAISA TIMES SQUARE (長沙佳兆業時代廣場)

Changsha Kaisa Times Square is located at Yingpan Road, Furong District in Changsha. The project occupies an aggregate site area of approximately 21,770 sq.m. with a total GFA of approximately 108,731 sq.m.. This project will be developed into a residential project with commercial space.

CHANGSHA MEIXI LAKE PROJECT (長沙梅溪湖項目)

Changsha Meixi Lake Project is located at Meixi Lake, Yuelu District, Changsha. This project occupies an aggregate site area of approximately 147,067 sq.m. with a total GFA of approximately 444,314 sq.m.. This project will be developed into residential products and will be developed in three phases.

WUHAN

WUHAN KAISA PLAZA (武漢佳兆業廣場)

Wuhan Kaisa Plaza is located at Wuluo Road, Wuchang District in Wuhan. Located in the core area of the inner ring of Wuchang District, the Plaza is adjacent to a number of core commercial circle such as the Zhongnan Commercial Circle of Wuhan and Jiedaokou Commercial Circle, enjoying quality education resources and medical resources. The project occupies a site area of 26,861 sq.m, with a total GFA of approximately 143,162 sq.m.. This project will be developed into residential project.

PROJECT PORTFOLIO — THE YANGTZE RIVER DELTA

SHANGHAI

SHANGHAI KAISA MANSION NO. 8 (上海佳兆業8號)

Shanghai Kaisa Mansion No. 8 is located at Juting Road, Zhuanghang Town, Fengxian District in Shanghai. The project occupies an aggregate site area of approximately 143,053 sq.m., with a total GFA of approximately 251,926 sq.m.. This project is expected to be a residential project and is divided into two phases.

SHANGHAI KAISA CITY PLAZA (上海佳兆業城市廣場)

Shanghai Kaisa City Plaza is located at Xuhang Town, Jiading District, Shanghai. This project occupies an aggregate site area of approximately 117,255 sq.m. with a total GFA of approximately 331,724 sq.m.. This project is expected to be a residential-commercial integrated project which comprises primarily residential buildings, office buildings, one hotel and commercial properties. The project is divided into three phases.

PROJECT PORTFOLIO — THE YANGTZE RIVER DELTA

SHANGHAI PUDONG PROJECT (上海浦東項目)

Shanghai Pudong Project is located at the intersection of Minsheng Road and Middle of Yanggao Road, in Pudong New District, Shanghai. The project occupies an aggregate site area of approximately 11,088 sq.m. with a total GFA of approximately 77,811 sq.m.. This project is expected to be developed into a high-rise office building.

HANGZHOU

HANGZHOU PUYU COURT (杭州璞玉雅園)

Hangzhou Puyu Court is located at Jingfeng Community, Wuchang Street, Yuhang District, Hangzhou. The project occupies an aggregate site area of approximately 74,779 sq.m. with planned GFA of approximately 207,476 sq.m.. The project is expected to be a residential complex.

PROJECT PORTFOLIO — THE YANGTZE RIVER DELTA

JIANGYIN

JIANGYIN KAISA PLAZA (江陰佳兆業廣場)

Jiangyin Kaisa Plaza is located at Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 158,240 sq.m. with a total GFA of approximately 553,177 sq.m.. Jiangyin Kaisa Plaza is expected to be a commercial-residential project comprising apartments, office buildings and a hotel. The project is expected to be divided into three phases.

NANJING

NANJING KAISA CITY PLAZA (南京佳兆業城市廣場)

Nanjing Kaisa City Plaza is located at Hexinan Area in Jianye District. This project occupies an aggregate site area of 109,832 sq.m. with a total GFA of approximately 415,986 sq.m.. This project is expected to be a residential complex and is divided into three phases.

PROJECT PORTFOLIO — THE YANGTZE RIVER DELTA

SUZHOU

SUZHOU KAISA PLAZA
(蘇州佳兆業廣場)

Suzhou Kaisa Plaza is located at South of Zhuyuan Road, West of Tayuan Road, Shishan Street in Gaoxin District. This project occupies an aggregate site area of 33,234 sq.m. with a total GFA of approximately 123,216 sq.m.. This project is expected to be a residential complex and is divided into two phases.

SUZHOU KAISA MONARCH RESIDENCE
(蘇州佳兆業君滙上品)

Suzhou Kaisa Monarch Residence is located at East of Sudai Road, South of Xingye Road, Huangqiao Street in Xiangcheng District. This project occupies an aggregate site area of 59,629 sq.m. with a total GFA of approximately 197,069 sq.m.. This project is expected to be a residential complex and is divided into two phases.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As at the date of this report, the board of directors (the "**Board**") of the Company consists of eight directors (the "**Directors**"), three of whom are independent non-executive Directors. The Board has the general powers and duties for the management and conduct of the business. The Company has entered into service contracts with each of the Directors.

The table below sets forth certain information regarding the Directors:

Name	Age	Position
KWOK Ying Shing	52	Chairman and Executive Director
SUN Yuenan	53	Vice Chairman and Executive Director
ZHENG Yi	36	Executive Director and Chief Executive Officer
YU Jianqing	51	Executive Director
CHEN Shaohuan	51	Non-Executive Director
ZHANG Yizhao	46	Independent Non-Executive Director
RAO Yong	57	Independent Non-Executive Director
LIU Xuesheng	53	Independent Non-Executive Director

Chairman and Executive Director

KWOK Ying Shing (郭英成), aged 52, is the Chairman of the Company, an executive Director, chairman of the Nomination Committee and a member of the Remuneration Committee. He is one of the founders of the Group and was the Chairman and a Director since its inception in 1999. He resigned as the Chairman and an executive Director in December 2014 and was re-appointed as the Chairman and an executive Director in April 2015. Mr. Kwok is primarily responsible for overall strategy, investment planning and human resource strategy of the Group. Mr. Kwok has extensive experience in real estate development, investment and financing management. He is the brother of Mr. Kwok Ying Chi, a former Director and a substantial shareholder of the Company. He is the father of Mr. Kwok Hiu Kwan, a substantial shareholder of the Company.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

SUN Yuenan (孫越南), aged 53, is an executive Director and a Vice Chairman and an authorised representative of the Company for the purpose of the Listing Rules and Companies Ordinance. Mr. Sun is primarily responsible for investment and management of the Group. Mr. Sun joined the Group in July 2001 as chief administrative director of Kaisa Group (Shenzhen) Co., Ltd. ("**Kaisa Group (Shenzhen)**") and has held various positions within the Group, including senior vice president of the Group, deputy general manager of Kasia Group (Shenzhen) and general manager of Guangzhou Jinmao Property Development Co., Ltd. Mr. Sun has extensive regulatory and business administration experience in the real estate industry. From 1993 to 2001, Mr. Sun served in various positions, including deputy chief of administrative office, deputy chief of legal division and deputy chief of personnel division, in Hengyang Municipal Bureau of Land Resources, which oversaw land resources in the city of Hengyang, Hunan Province. Mr. Sun received a bachelor's degree in law from the Correspondence Institute of the Academy of the Central Committee of the Communist Party of China in December 2001.

ZHENG Yi (鄭毅), aged 36, is an executive Director and the Chief Executive Officer of the Company. He is currently a President of the Group, who is in charge of general management of Kaisa Holding Group, Urban Development Group and Investment and Financing Group. Mr. Zheng joined Kaisa in July 2007 and has served as Investment Deputy Manager, President Secretary and President of the Real Estate Department among other positions. Prior to joining Kaisa, Mr. Zheng worked in Land and Real Estate Trading Center of Shenzhen. Mr. Zheng received the bachelor's degree in law from Zhongnan University of Economics and Law in the PRC in July 2003.

YU Jianqing (喻建清), aged 51, is an executive Director and an authorised representative of the Company for the purpose of the Listing Rules and Companies Ordinance. Mr. Yu is primarily responsible for operation management. He graduated from Hengyang Institute of Technology (now known as University of South China) with a bachelor's degree in industrial and civil construction in July 1985, and obtained his MBA degree from The University of Northern Virginia in the United States in October 2006. Mr. Yu is in charge of the general management of Real Estate Group, Innovation Institute, Property Management Group and Technology Group. Mr. Yu joined Kaisa in March 2002 and has served as Chief Engineer of Kaisa Real Estate (Shenzhen), Vice General Manager of Kaisa Real Estate (Guangzhou), General Manager of Kaisa Real Estate (Chengdu), Senior Vice President, Operations President and Co-President among other positions. From March 2002 to October 2008, Mr. Yu served as the general manager of Guangzhou Branch, the general manager of Chengdu Branch and various other positions of the Group. From October 2008 to October 2011, Mr. Yu served as the president of Dongguan Huijing Group, a company which is principally engaged in property development and was mainly responsible for its overall operation management. From February 2012 to January 2013, Mr. Yu served as the president of Shenzhen Furui Group, a company which is principally engaged in property development and was mainly responsible for its overall operation management. Mr. Yu re-joined the Group as the general manager of the Beijing Branch of the Group in January 2013 and was promoted as the senior vice president of the Group in April 2013.

DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

CHEN Shaohuan (陳少環), aged 51, has been a non-executive Director of the Company since 26 December 2013. She received a Diploma in Economics and Management from the Social Science Faculty of South China University of Technology in the People's Republic of China in July 1987. Ms. Chen has joined Sino Life Insurance Co., Ltd. (生命人壽保險股份有限公司) ("**Sino Life Insurance**") since December 2013 and is currently the deputy general manager of the asset management centre of Sino Life Insurance. Prior to joining Sino Life Insurance, Ms. Chen was the manager of the investment division of Shenzhen Fengsheng Investment Group Company Limited* (深圳市豐盛投資集團有限公司) from June 1995 to November 2013. Ms. Chen was also the deputy general manager of a subsidiary of Shenzhen Wuzhi Group Company* (深圳市物資總公司) engaging in construction material business from September 1983 to May 1995.

Independent Non-Executive Directors

ZHANG Yizhao (張儀昭), age 46, has been an independent non-executive Director of the Company since 17 November 2009. Mr. Zhang is also the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Independent Committee. He is also a director of China Carbon Graphite Group Inc. (OTC BB: CHGI) and HH Biotechnology Holdings Company (OTC BB: HHBT). Mr. Zhang has over 19 years of experience in accounting and internal control, corporate finance, and portfolio management. Previously, Mr. Zhang was the CFO or director at various public companies listed in the US, Hong Kong and Tokyo. Mr. Zhang also had experiences in portfolio management and asset trading at Guangdong South Financial Services Corporation from 1993 to 1999. He is a Certified Public Accountant of the State of Delaware, and a member of the American Institute of Certified Public Accountants (AICPA). He also has the Chartered Global Management Accountant (CGMA) designation. Mr. Zhang graduated with a bachelor's degree in economics from Fudan University, Shanghai in 1992 and received a Master of Business Administration with concentrations in financial analysis and accounting from the State University of New York at Buffalo in 2003.

RAO Yong (饒永), aged 57, has been an independent non-executive Director of the Company since 17 November 2009. Mr. Rao is also the chairman of the Audit Committee and a member of each of the Remuneration Committee, the Nomination Committee and the Independent Committee. Mr. Rao is currently a director of Shenzhen Pengcheng Certified Public Accountants Co. Ltd. He is a member of the Chinese Institute of Certified Public Accountants (CICPA) and a certified public valuer in China. Mr. Rao has over 28 years of experience in accounting and auditing. Mr. Rao was a director of the Audit Bureau of Shenzhen City from 1991 to 1997 and a head of the Audit Bureau of Wuzhou City, Guangxi Province from 1987 to 1990. Mr. Rao has also been a director of The Chinese Institute of Certified Public Accountants since 1996, a director of the Shenzhen Institute of Certified Public Accountants since 1996 and its president since 2005, a forensic accounting expert of Shenzhen City since 2002 and the deputy secretary-general of the Asset Evaluation Association of Shenzhen City since 1997. Mr. Rao received a diploma in accounting from Guangxi College of Finance and Economics, China in July 1980.

LIU Xuesheng (劉雪生), aged 53, has been an independent non-executive Director of the Company since 28 February 2017. Mr. Liu joined Shenzhen Institute of Certified Public Accountants (深圳市註冊會計師協會) ("**SZICPA**") since February 1999 and is currently the deputy secretary general. Prior to joining the SZICPA, Mr. Liu was the accountant of OCT Group (深圳華僑城集團) from April 1992 to February 1999. Mr. Liu graduated from Jiangxi Institute of Finance and Economics (江西財經學院) (now known as the Jiangxi University of Finance and Economics (江西財經大學) with a bachelor degree in 1989 and graduated from Shanghai University of Finance and Economics (上海財經大學) majoring in accounting and obtained a master degree in economics in 1992. He was admitted as Certified Public Accountants in the People's Republic of China in 1995. Mr. Liu is currently an independent non-executive director of Telling Telecommunication Holdings Co., Ltd. (天音通信控股股份有限公司), Huafu Top Dyed Melange Yarn Co., Ltd. (華孚色紡股份有限公司) and EDAN Instruments, INC. (深圳市理邦精密儀器股份有限公司), which are companies listed on the Shenzhen Stock Exchange. From June 2008 to June 2011, Mr. Liu was the independent non-executive director of Dongjiang Environmental Company Limited (stock code: 895), a company listed in Hong Kong.

SENIOR MANAGEMENT

As at the date of this report, the senior management members are MAI Fan, HABIBULLAH Abdul Rahman, XING Tao, HUANG Qin, LUO Jun, SONG Wei and WONG Kwok Kwan. The table below sets forth certain information regarding the senior management members:

Name	Age	Position
MAI Fan	38	Co-president
HABIBULLAH Abdul Rahman	53	Chief Financial Officer and Company Secretary
XING Tao	52	Executive Vice President
HUANG Qin	47	Senior Vice President
LUO Jun	36	Vice President
SONG Wei	32	Vice President
WONG Kwok Kwan	42	Vice President (appointed on 3 January 2017)

Please refer to the section headed "(A) The Board of Directors" of the corporate governance report for further information on the changes in the senior management of the Group during the year and up to the date of this report.

MAI Fan (麥帆), aged 38, is a Co-president of the Group. Mr. Mai is primarily responsible for financing, medical treatment, shipping, culture, football club business. Mr. Mai also shares his vision in Kaisa's strategy, fund, risk, human resources, administration, finance, tax, information, Internet+, brand and investor relations work. He joined Kaisa in August 2015, serving as the General Manager of the Group Office, the Deputy General Manager of the Group's Risk Management and Assistant President of the Group. Prior to joining us, Mr. Mai worked in the Shenzhen Municipal Highway Bureau and the Government of Futian District, Shenzhen. Mr. Mai graduated from the Department of Law of the Sun Yat-sen University in 2001.

HABIBULLAH Abdul Rahman (黃志强), aged 53, is Chief Financial Officer of the Group and the company secretary of the Company. He is primarily responsible for the corporate finance, tax and capital management. He has over 25 years' experience in accounting and finance fields. He received his Master in Business Administration from Henley Business School UK and his Master in Social Science from the Chinese University of Hong Kong. He is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in June 2015, he worked as an audit manager in an international accounting firm in Hong Kong and the chief financial officer and financial controller in various listed companies in Hong Kong.

XING Tao (邢濤), aged 52, is an Executive Vice President of the Group. Mr. Xing is primarily responsible for the R&D and design management work for the Group. Prior to joining the Group in April 2010, from September 2001 to May 2010, Mr. Xing was a vice president in Horoy Holdings Limited, a real estate company. From February 1992 to September 2001, Mr. Xing was a technical manager in Western Real Estate Company of Shenzhen Wabo Group. From July 1986 to February 1992, Mr. Xing was a construction supervisor in the Shenzhen branch of Design & Research Institute of Wuhan Iron & Steel Group. In 1986, Mr. Xing received a higher diploma in architecture from Jianghan University.

HUANG Qin (黃琴), aged 47, is a Senior Vice President of the Group. She is primarily responsible for the Group's administration, human resources, investor and public relations. Ms. Huang joined the Group again as an assistant president of the Commercial Group in October 2013. She joined Kaisa in November 2004 and has served as General Manager and President of Kaisa Real Estate (Shanghai), Assistant President of the Commercial Group, Group Director and Group Vice President among other positions. Prior to joining Kaisa, Ms. Huang pursued her professional career in human resources management in Head Office of Suning Group, Zhonghai Real Estate (Shenzhen), Head Office of Vanke and Shenzhen Langju Industrial Group Co., Ltd. Ms. Huang graduated from Beijing Wuzi University in 1991 with a bachelor's degree in management.

DIRECTORS AND SENIOR MANAGEMENT

LUO Jun (羅軍), aged 36, is a Vice President of the Group. Mr. Luo is primarily responsible for providing commerce, tourism, hotel and catering management. Prior to joining the Group in August 2007, Mr. Luo pursued his professional career in marketing plan in World Union Properties and Inland Real Estate Company (Shenzhen). Mr. Luo has received a bachelor's degree in accountancy from Nanjing University of Finance and Economics in 2003.

SONG Wei (宋偉), aged 32, is a Vice President of the Group. Mr. Song is primarily responsible for urban renewal work. Prior to joining the Group in November 2015, Mr. Song has successively engaged in news planning in Hubei Daily Media Group and Evergrande Real Estate Group. Mr. Song has achieved a bachelor's degree in Journalism & Communication from Hubei University in 2007.

WONG Kwok Kwan (黃國鈞), aged 42, is a Vice President of the Group, the Chairman of the Commercial Group and the President of Kaisa WeWa Space Ltd. He is primarily responsible for the management of commerce and office asset, co-working and co-hiring businesses. Mr. Wong joined Kaisa in January 2017. Prior to joining the Group, Mr. Wong was responsible for management and professional work for many initial public offering transactions, financial valuations and consultancy service in Chesterton Petty and Savills. Mr. Wong graduated from Tsinghua University and the Chinese University of Hong Kong in 2010 with a Postgraduate Diploma in Finance and Master of Business Administration in Finance respectively. Mr. Wong is a PRC certified real estate appraiser and a Member of Royal Institution of Chartered Surveyors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance (the "**ESG**") Report provides an annual update on sustainability performance of the Group for the year ended 31 December 2016.

This report aims to set out the Group's ESG key issues and initiatives covering its core businesses, namely property development, property investment and property management, hotel and catering operations, and cinema, department stores and cultural centre operations. This report is prepared in accordance with Appendix 27 to Listing Rules.

The Company believes that this Report enables the Company to communicate the Group's sustainability related matters to its stakeholders in a transparent and accountable manner. The Group is committed to making continuous contribution to the sustainable development in China, and meets its business goals without compromising the needs of the environment and society.

We set out the following scope of reporting, based on the importance of each ESG area to the Group's business and stakeholders:

As a corporate citizen, Kaisa always sees corporate social responsibilities as its own mission and has been active and persistent in undertaking its corporate responsibilities through actions covering aspects of green and low-carbon constructions, products and services, charity activities, cultural and sports activities and caring for staff members.

THE QUALITY OF THE WORK ENVIRONMENT

Adopting a people-oriented philosophy and holding talents in high regard, Kaisa always considers creative, self-disciplined and committed staff members as the greatest asset of the Company. The Company emphasizes the recruitment, retention, nurturing and development of talents and achieves a "win-win situation" in corporate and staff development by enhancing the communication with staff members through various activities.

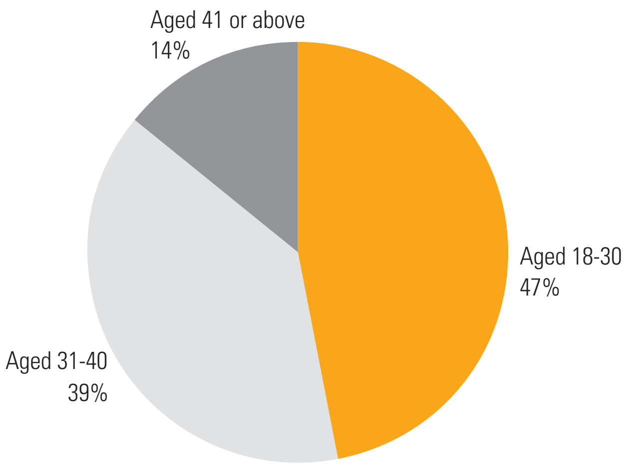
STAFF OVERVIEW

As of 31 December 2016, the Group hired 9,944 staff members in the PRC and Hong Kong. During the year, the Group was awarded as "China's Best Employer 2016" jointly organised by the Centre of Social Research of Peking University (北京大學社會調查研究中心) and Zhaopin.com.

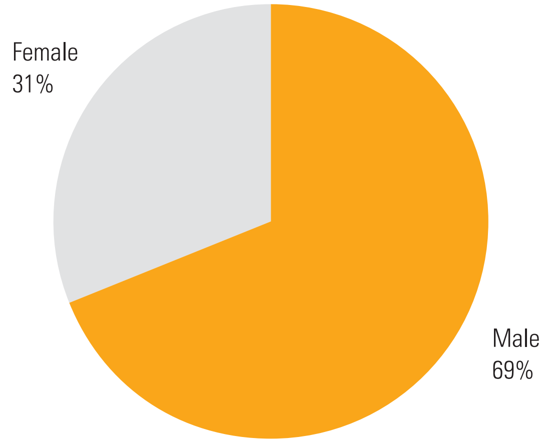
Number of employees by type of engagement

	Number of Staff Members	Full-time	Labour Despatch
Headquarters	107	107	0
Property Development Group	1,679	1,679	0
Property Management Group	6,020	5,870	150
Other Subsidiaries	2,138	2,138	0
Total	**9,944**	**9,794**	**150**

Number of employees by age



Number of employees by gender



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment, Promotion and Training

Kaisa considers talents as the cornerstone for the Group's development. While recruiting from society at large, the Group also develops and expands its own operational team by actively nurturing fresh graduates. Since the establishment of Kaisa New Generation as a campus recruitment brand in 2003, the project has been running for 14 years and has formed a sophisticated nurturing and promotion system for Kaisa New Generation. During the year, the Group recruited at top-notch domestic and overseas universities, including Tsinghua University, Peking University, Fudan University, Tongji University, Nanjing University, University of Hong Kong, Hong Kong University of Science and Technology, Columbia University, University of Pennsylvania, Boston University and New York University, bringing in 199 members of Kaisa New Generation in disciplines including finance, accounting, law, human resources, marketing and civil engineering for the Group's development. Graduate recruitment represented 7% of the overall recruitment during the year. Having gone through a series of on-job training and gained hands-on experience, the members of Kaisa New Generation turned into the main force driving the operation and development of the Group.

With regard to career development, Kaisa has put in place two parallel career paths for its staff members, being the managerial post and the technical post, both offering equal development remuneration and opportunities. Based on their personal characteristics and career development plans, as well as the requirements of their respective positions, staff members can make their own choices about the direction of their development. Meanwhile, the Group allows its staff members to switch between the two paths and adjust their career paths according to their pursues. The promotion of staff members is based on the appraisal of their performance.

In respect of staff training, the Group prepared a diversity of training content taking into account the needs of staff members at various stages of career development, and strengthened the professional skills of staff members through channels including online learning, experiential learning and job rotation. During the year, the Group offered 130,397.7 hours of training in total.

Health and Safety

Kaisa is committed to providing its staff with a safe work environment.

With regard to project construction, in addition to its strict compliance with the relevant laws and regulations of the national and local governments on construction safety, the Group has also adopted numerous measures at the levels of system management and actual operation to prevent risks and ensure the safety of the personnel on construction sites. These measures include:

1. Preparing and updating documents related to systems, including the Measures on Safety Management of Kaisa Property Development Group (《佳兆業地產集團安全管理辦法》) and Guidelines on Safe and Civilised Construction of Kaisa Property Development Group (《佳兆業地產集團安全文明施工指引》) to standardise the safe and civilised construction for construction projects, and to identify the relevant responsibilities in safety management;

2. Preparing specific project work plans and arranging project inspection, rectification and improvement measures in the event of major festivals and holidays, severe weather conditions or emergency;

3. Stepping up the safety education for the frontline project personnel and raising their awareness of safety issues through training;

4. Organizing cross learning sessions for staff members to go through case studies on sound safety management for self-examination and improvement;

5. Identifying potential hazards in construction projects in progress through monthly inspections, and supervising the implementation of rectification and improvement measures;

6. Instantly following up on the status of project safety management through reporting mechanisms such as filing monthly safety reports;

7. Tracking the status of how project safety incidents are addressed, and reporting any update in a timely manner;

Kaisa has put in place a thorough system safeguarding the interests of staff members injured at work. On top of the "Five Social Insurances and One Housing Fund" (五險一金), the Company has arranged commercial accident insurance for its staff members and offers them regular body checks. In the event that a staff member of the Group injures while on duty, the Group will promptly arrange for the injured staff member to be sent to medical care, follow up by visiting the injured staff member, and prepare the relevant materials and report in a timely manner to document the work-related injuries. The Group also applies for benefits in the form of consolation money on behalf of injured staff members in accordance with the national laws and regulations, as well as the Company's benefits policy. During the year, the number of staff members involved in work-related deaths was zero.

To encourage healthy working and living among its staff members, the Group has called upon the staff to exercise and set up a variety of associations, including gymnastics, football, badminton and basketball associations for staff members to join on their own interests.

Staff Communication

As an advocate of a straightforward, effective and efficient corporate culture, the Group has minimised bureaucracy in its internal communication, and streamlined meetings and activities. Staff members at all levels can voice out their views and suggestions about work equally through the following channels:

(1) Providing, among others, an anonymous mailbox, phone number and instant messaging on the homepage of the Company

(2) "Face-to-face with the senior management" meetings organised on a regular basis

(3) Conducting quarterly appraisals of staff members and holding the corresponding performance interviews to provide a communication channel

(4) Unofficial channels of communication, such as gatherings among departments, cultural, sports and social activities

Kaisa New Generation Orientation

ENVIRONMENTAL PROTECTION

Kaisa recognizes that the development of each enterprise may affect the eco-environment. Therefore, Kaisa upholds the notion of saving energy and reducing emission throughout the processes of development and operation. From product design, construction to operation, Kaisa is committed to implementing various environmental-friendly measures at each stage to reduce the impact on the environment.

PREVENTING POLLUTION AND REDUCING EMISSION

During the construction of its projects, the Group arranges construction materials to be transported outside the rush hours to reduce the impact of large vehicles on the urban traffic. On the construction sites of the projects, the bare soil is covered, while water is sprinkled to lower the level of dust in order to minimize dust pollution. Noise reduction scaffolds are erected to mitigate the impact of the noise coming from construction work on the surrounding community. The projects also provide for the establishment of settling ponds, which allow the sewage generated by the projects to be settled before discharged into the sewage pipes designated by the municipal authorities. As for solid waste, the units in charge of the construction will stack up the solid waste in a centralised manner, regularly clean up and transport the solid waste elsewhere in accordance with the relevant regulations and rules.

SAVING ENERGY

In 2016, Kaisa Property Management Group implemented energy-saving construction at 63 projects across the country, taking measures such as replacing the conventional fluorescent lamps, halogen lamps and high pressure lamps in use for lighting in public areas such as car parks and corridors with LED lighting that boasts a higher level of energy saving and efficiency. Wind power generation technologies were adopted in some regions, with over 90,000 units of retrofit lighting. Moreover, Kaisa Property Management Group also carried out energy-saving upgrade on certain central air-conditioning units, pumps for household use and escalators, and stepped up the management over the monitoring and control of operation by reasonable adjustments to the operational parameters of equipment. These measures could help the Group reduce power consumption by approximately 18,330,000 kilowatt hours per year.

At the main stadium and ancillary stadium of the Shenzhen Yantian Sports Center Project (深圳鹽田體育中心項目) operated and managed by the Group, 59 units of hygiene equipment were replaced in 2016, saving approximately 26,550,000 liters of water per year. At the car park of the ancillary stadium of the project, 290 units of LED8W energy-saving tubes were replaced, saving approximately 50,000 kilowatt hours of electricity per year. Moreover, at the Huizhou Zhongkai Stadium Plaza (惠州仲愷體育館廣場), the original 18 units of 2KW high-pole lamps were overhauled and turned into 10 units of 0.4KWLED lamps. The overhaul saved approximately 46,000 kilowatt hours of electricity in lighting for the year as compared to 2015.

APPLICATION OF ENVIRONMENTAL-FRIENDLY TECHNOLOGIES AND MATERIALS

The Group endeavors to foster sustainable development of construction industry by increasing production efficiency, lowering energy consumption in production, reducing environmental pollution and persistently improving its technological innovation. At present, Kaisa has strived to realize the skills of PC industrial technology in pre-assembly, processing finished goods and refining moulds, realising the assembly production of parts and components such as stairs, prefabricated plates and prefabricated windows. Meanwhile, energy consumption was effectively reduced through region-wide sunlight planning, region-wide ventilation planning and noise reduction designs. Moreover, having introduced the innovative use of aluminum alloy templates construction in a number of projects and recycling construction wastes including temporary roofs and windows, the Group has effectively reduced energy consumption. Meanwhile, Kaisa vigorously promoted the delivery with fine decoration to reduce the environmental pollution arising from further renovation.

All projects have been designed in compliance with the national requirements on energy saving and emission cutting for newly constructed structures, and have surpassed the level mandated by the national requirements.

The Group vigorously promoted green architecture design and application of new technology and materials by the use of HRB500 Cat-4 steels to replace Cat-3 reinforcing steels in its projects to reduce consumption of energy and standard coal.

OPERATIONAL PRACTICE

Through close cooperation with its suppliers and contractors, the Group is committed to providing its customers with highly-efficient and high quality products and services, and establishing a stringent system and standardised process in respect of supply chain management, product quality assurance and anti-corruption. It also requires its employees to comply with the Company's anti-corruption and anti-bribery policies to avoid non-compliance at all times.

Supply Chain Practice

The Group requires that all the procurements must be conducted in an open and transparent manner within the terms of reference and shadowy practice shall be avoided. All personnel involved in procurements must strictly comply with the regulations, uphold a high standard of integrity and not to use their positions for their own benefit. Any persons having an interest with the tenderer must abstain themselves from taking part in the procurement and report to the relevant procurement department. No one shall interrupt or exert influence on the objectivity and fairness of the procurement.

Information about tendering document, tenderer, private base price or estimated price, evaluation criteria, bid price, relevant tender conference or resolution shall be kept strictly confidential. Regardless of whether or not the bid is finalised, such information shall not be disclosed. No one shall disclose, imply or undertake its intention to the bid before the bid is approved and finalised.

Products and Services

Over the years, we have been upholding the customer value-oriented principle and regarding quality as our lifeline. In 2016, Kaisa stepped up its effort in the enhancement of product quality and service standard. During the year, the Group organised 218 product quality inspections and achieved an average score of 98.45, representing an increase of 1.09 points as compared to 2015. Meanwhile, the Group organised a total of 8 activities such as construction site open day and customer experience day during the year, in order to enable the customers to experience and monitor product quality of the Company through on-site visits.

Construction Site Open Day

In terms of property management, during the year, we continued to uplift the standard of property management services through Hawkeye Action (鷹眼行動), provided professional, courteous and high-standard customer services through "3-metre Smile" (三米微笑) activity, formulated 898 rules for star-rated services through Star-rated Services (星級服務) and organised more than 200 diversified community activities for the property owners, thereby establishing a healthy and harmonious living atmosphere for our customers. Products and services of Kaisa are well accepted by customers.

Anti-corruption

The Group has established a comprehensive organisation structure in order to ensure the integrity in the Company's operation, and set up an independent audit control department in 2016 to strengthen audit supervision.

In terms of the set up of system, the Group established a comprehensive audit monitoring system in order to regulate audit monitoring work and process, identify the subject matter of the whistleblowing and the requirements on protecting whistleblowers in a systematic manner, and to ensure the smoothness and high efficiency of whistleblowing channels. In addition, by making reference to the issues identified in routine audit, business rules and regulations of each business units were enhanced and material bribery and corruption incidents were prevented through system enhancement.

To promote integrity education, the Group organised integrity seminars and educational activities to raise staff's awareness of integrity and anti-corruption and provided its staff with guidelines on the appropriate handling procedures for the gifts and presents given by its cooperative entities or related parties. The Group adopts a zero tolerance approach towards any violation of integrity. In the event of any corruption or bribery, it will strictly investigate, punish and refer the case to a judicial authority to take necessary procedures against the involved parties for legal responsibility. In 2016, there were no corruption or bribery events occurred within the Group.

Regulatory Compliance

During the year ended 31 December 2016, the Group is not aware of any breach of laws and regulations that have a significant impact on the Group relating to anti-corruption.

COMMUNITY ENGAGEMENT

Since its establishment and motivated by a strong sense of social responsibility, Kaisa has been fulfilling its corporate social responsibilities by actively participating in and supporting all kinds of social services including education, medical care, environmental protection, sports and culture.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Charity Donations

In May 2011, the Group established a charity platform comprising Kaisa Public Welfare Foundation (佳兆業公益基金會), Kaisa Medical Workers Caring Fund (佳兆業白衣天使基金), Kaisa Yushu Education Fund (佳兆業玉樹助學基金) and Kaisa Sanitation Workers Caring Fund (佳兆業環衛工關愛基金). Through a regular, systematic and standardised mechanism and leveraging Kaisa's brand influence, the Group strives to facilitate the development of public welfares. As of today, the Group has sponsored more than 60 charitable projects and donated hundreds of millions of dollars. Kaisa's efforts in charity have gained wide recognition from the community. During the year, the Group was granted "Shenzhen Benchmark Real Estate Enterprise in terms of Corporate Responsibility", "Shenzhen Charity Corporation – Gold Corporate Donor" and "Corporate Social Responsibility Award 2016".

Corporate Social Responsibility Award

Community Activities

Since the launch of "Serving • Beautiful China – Firefly Project" by Kaisa Property Management Group in 2012, employees across the country participated generously in charitable activities. In 2016, Kaisa Property Management Group passed on the spirit of love by showing care to sanitation workers on streets in cold winter, and sending essential supplies such as winter coats and quilts to children living in poverty mountain areas. More than 100 micro-charity activities including environmental and charity campaigns have been held in nearly 30 cities in China.


Charity Activity Organised by Property Management Group

Shipping Group organised "Star Holiday – A world of Shining Star" (星星的假期 — 點亮星星的世界) and "Shenzhen Star Association" (鵬星會) 6.1 Children's Day Caring Autistic Children Activity to bring a pleasant and memorable holiday for more than 100 autistic children.

Caring Autistic Children Campaign

Kaisa Culture Group participated in the "Caring Activity for Traffic Officers with Disease or Disabilities", to visit 25 traffic officers with disease or disabilities, offering support in the form of goods and cash in an amount of RMB5,000 to each of them and dedicated a performance to express its sincere gratitude and heartfelt blessings.

Free Admission to Home Football Games

Shenzhen Football has been arousing the interest of the youth in football by organizing football classes, trainings and competitions in campus over the years. Together with Shenzhen Project Care Foundation and media organisations, Shenzhen Football initiated a fund raising activity among the community to make donations to football fans with disease and children with thalassemia, and donated partial ticket income from home games. Since the 2016 season, Shenzhen Football has even set up caring grandstands and invited people in need to watch football games for free.

Charity Award

To actively assume social responsibilities, sport stadiums operated by Kaisa are open all year round to provide the general public with fitness services. These stadiums offer free access to facilities for at least 20 days every year and provide free body checks for the general public. Free opening hours in 2016 exceeded 10,000 and number of users served exceeded 300,000.

Free Admission Day in Sport Stadium

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2016.

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance and accountability. The Board will strive to uphold the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders of the Company.

The Company is committed to achieving high standards of corporate governance. An internal corporate governance policy was adopted by the Board aiming at providing greater transparency, quality of disclosure as well as more effective risk and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board with regular assessments. The Company believes that its commitment to high-standard practices will translate into long-term value and ultimately maximise returns to shareholders. The Company's management pledges to build long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner. The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as its own code to govern its corporate governance practices. The Company was conducting its business according to the principles of the CG Code set out in Appendix 14 to the Listing Rules.

For the year ended 31 December 2016, the Company has complied with the code provisions of the CG Code set out in Appendix 14 to the Listing Rules save for the deviations due to the suspension in trading of shares of the Company which are explained below.

(a) Code provisions A.1.1 and A.1.2 provides that the Board should meet regularly and board meetings should be held at least four times a year and arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings. Code provision A.1.3 provides that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend and reasonable notice should be given for other board meetings. There were no regular Board meetings held for approving the annual and interim results of the Group during the year ended 31 December 2016. Due notice of all regular Board meetings will be given to all members of the Board.

(b) Code provision A.2.5 provides that the chairman should take responsibility for ensuring that good corporate governance practices and procedures are established. The Company was not in compliance with certain code provisions as set out in the CG Code. The chairman has confirmed that he will take active action to improve and monitor the corporate governance practice of the Group.

(c) Code provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. No general meeting was held during the year ended 31 December 2016. Therefore, no Directors have been subject to retirement and re-election by the Shareholders at the general meeting. All Directors will be subject to rotation in accordance with the Articles of Association of the Company and the Listing Rules. Every Director will be subject to retirement by rotation at least once every three years.

(d) Code provision A.6.7 provides that Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. No general meeting was held during the year ended 31 December 2016 due to the suspension in trading of the Company's share.

(e) Code provision A.7.1 provides that for regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period). There were no regular Board meetings held for approving the annual and interim results of the Group during the year ended 31 December 2016.

(f) Code provision C.1.5 provides that the board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements. There were no regular Board meetings held for approving the annual and interim results of the Group during the year ended 31 December 2016. The dispatches of the relevant annual reports and interim reports have been delayed.

(g) Code provision E.1.1 provides that for each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", issuers should explain the reasons and material implications in the notice of meeting.

(h) Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

(i) Code provision E.1.3 provides that the issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.

(j) Code provision E.2.1 provides that the chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

The Company was not in compliance with the code provisions E.1.1, E.1.2, E.1.3 and E.2.1 as no general meeting was held during the year ended 31 December 2016 due to the suspension in trading of the Company's share. General meetings of the Company shall be arranged in due course.

Other non-compliances with the Listing Rules

(a) Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive directors of a listed issuer must represent at least one-third of the board of directors of such listed issuer. Since the resignation of Mr. FOK Hei Yu on 31 December 2014, the number of independent non-executive Directors has fallen below the minimum number of three and does not consist of one-third of the Board as required under Rules 3.10(1) and 3.10A of the Listing Rules during the period from 31 December 2014 to 27 February 2017. In order to comply with Rules 3.10(1) and 3.10A of the Listing Rules, Mr. LIU Xuesheng was appointed as an independent non-executive Director on 28 February 2017.

(b) The Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) publishing annual results and annual reports for the year ended 31 December 2015; (ii) announcing the interim results for the six months ended 30 June 2016; and (iii) publishing the interim report for the six months ended 30 June 2016. Such delay has constituted non-compliance with Rules 13.46(2)(a), 13.48 and 13.49 of the Listing Rules.

(A) THE BOARD OF DIRECTORS

Board Composition

The members of the Board during the financial year under review were as follows:

Members of the Board

Executive directors:
Mr. KWOK Ying Shing
Mr. SUN Yuenan
Mr. LEI Fugui *(resigned on 1 November 2016)*
Mr. YU Jianqing
Mr. ZHENG Yi

Non-executive Director:
Ms. CHEN Shaohuan

Independent non-executive Directors:
Mr. ZHANG Yizhao
Mr. RAO Yong

After the end of the financial year under review, the following changes in composition of the Board took place:

Dates	Particulars
28 February 2017	• Mr. LIU Xuesheng was appointed as an independent non-executive Director

After the end of the financial year under review, the following changes in members of the senior management took place:

Dates	Particulars
3 January 2017	• Mr. WONG Kwok Kwan was appointed as vice president

Biographical details of the Directors and the senior management of the Company are disclosed in the section headed "Directors and Senior Management" of this annual report. Save as disclosed in the such section, to the best knowledge of the Company, there are no relationships (including financial, business, family or other material relationships) among the directors and senior management.

For the year ended 31 December 2016, Mr. SIU Ho Fai and Mr. HABIBULAH Abdul Rahman received not less than 15 hours of relevant professional training to update his knowledge and skills. Mr. SIU Ho Fai resigned as company secretary and Mr. HABIBULAH Abdul Rahman was appointed as company secretary on 24 May 2016. The biographical details of Mr. SIU Ho Fai, please refer to the announcement dated 26 October 2015.

As at 31 December 2016, the Board consisted of seven Directors including Mr. KWOK Ying Shing (chairman), Mr. SUN Yuenan, Mr. YU Jianqing and Mr. ZHENG Yi (chief executive officer) as the executive Directors, Ms. CHEN Shaohuan as a non-executive Director and Mr. ZHANG Yizhao and Mr. RAO Yong as the independent non-executive Directors. The overall management of the Company's operation is vested in the Board.

Directors' Responsibilities

The Board takes on the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, risk management and internal control systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As of 31 December 2016, the Board comprised seven Directors, including four executive Directors, one non-executive Director and two independent non-executive Directors. Their names and biographical details are set in the section entitled "Directors and Senior Management" in this annual report.

All Directors have full and timely access to all relevant information about the Company so that they can discharge their duties and responsibilities as Directors. In particular, through regular Board meetings and receipt of regular financial and business updates, all Directors are kept abreast of the conduct, business activities and development, as well as regulatory updates applicable to the Company.

Liability insurance for Directors and members of the senior management of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Delegation by the Board

The management, consisting of the executive Directors of the Company along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Compliance with the Model Code for Directors' 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 standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2016.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by the relevant employees of the Group, who are likely to be in possession of inside information of the Company.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2016, in order to reinforce their respective independence, accountability and responsibility, Mr. KWOK Ying Shing acted as Chairman and Mr. ZHENG Yi acted as Chief Executive Officer.

The chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with the good corporate governance practice adopted by the Company. He is also responsible for instilling corporate culture and developing strategic plans for the Company. Under code provisions A.2.1 and A.2.2 of the CG Code, the chairman would ensure that all Directors are properly briefed on issues arising at Board meetings and would be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner. On the other hand, the chief executive officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The chief executive officer is also responsible for the Group's day-to-day management and operations and the formulation of the organisation structure, control systems and internal procedures and processes of the Company for the Board's approval.

Independent Non-Executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decision. They bring an impartial view on the Company's strategies, performance and control.

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board.

The Board also considers that the independent non-executive Directors can provide independent advice on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

For the year ended 31 December 2016, the Company has received an annual confirmation of independence from each independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive Directors. Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive Directors of a listed issuer must represent at least one-third of the Board of such listed issuer. Since the resignation of Mr. FOK Hei Yu on 31 December 2014, the number of independent non-executive Directors fell below the minimum number of three and did not consist of one-third of the Board as required under Rules 3.10(1) and 3.10A of the Listing Rules during the period from 31 December 2014 to 27 February 2017. In order to comply with Rules 3.10(1) and 3.10A of the Listing Rules, Mr. LIU Xuesheng was appointed as an independent non-executive Director on 28 February 2017.

Board Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. Meeting agenda for regular meetings are set after consultation with the Chairman. All Directors are given an opportunity to include matters in the agenda.

At least 14 days' notice will be given for a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice will be given.

For the year ended 31 December 2016, it is considered that the Directors are well acknowledged to the business and the operation of the Group.

All Directors are provided with relevant materials relating to the matters in issue in advance before the meetings and have the opportunity to include matters in the agenda for Board meetings. They can separately get access to the senior executives and the company secretary at all time and may seek independent professional advice at the Company's expense. Minutes of board meetings and meetings of Board committees are kept by the company secretary of the meeting and such minutes are open for inspection at any reasonable time on reasonable notice by any Director. Pursuant to code provision A.1.5 of the CG Code, minutes of Board meetings and meetings of Board committees record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of Board meetings were sent to all the Directors for their comment and record respectively, in both cases within a reasonable time after the Board meeting was held.

Other than regular meetings, the Chairman also meets with non-executive Directors (including Independent non-executive Directors) without the presence of executive Directors, to facilitate an open discussion among the non-executive Directors on issues relating to the Group.

Pursuant to code provision A.1.7 of the Code, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by way of a physical meeting, rather than a written resolution. Independent non-executive Directors who have no material interest in the transaction would be present at such Board meeting.

The Board procedures are in compliance with the Articles, as well as relevant rules and regulations. For the year ended 31 December 2016, there were no significant changes to the Articles.

Appointment, Re-election and Removal of Directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for a specific term of three years. Such term is subject to his re-election by the Company at an annual general meeting ("**AGM**") upon retirement. The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the members of the Company and shall then be eligible for re-election at such meeting. Besides, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

In accordance with the Articles, at every AGM of the Company, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and being eligible offer themselves for re-election. In accordance with Article 84(1) of the Articles, Mr. SUN Yuenan, Ms. CHEN Shaohuan, Mr. RAO Yong and Mr. ZHANG Yizhao shall retire by rotation at the forthcoming AGM and each of them, being eligible, would offer themselves for reelection at the forthcoming AGM.

In accordance with Article 83(3) of the Articles, Mr. KWOK Ying Shing, Mr. ZHENG Yi, Mr. YU Jianqing and Mr. LIU Xuesheng shall hold office until the forthcoming AGM, and being eligible, would offer themselves for re-election at the forthcoming AGM.

The members of the Company may, at any general meetings convened and held in accordance with the Articles, remove a Director at any time before the expiration of his period of office notwithstanding anything contrary in the Articles or in any agreement between the Company and such Director.

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or alternative Director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. The Group also provided briefings and other training to develop and refresh Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

Briefings on directors' duties were given to the newly appointed executive Directors.

During the year ended 31 December 2016, the Directors also participated in the following trainings:

Directors	Types of training
Executive Directors	
Mr. KWOK Ying Shing	C
Mr. SUN Yuenan	C
Mr. LEI Fugui (resigned on 1 November 2016)	A,C
Mr. YU Jianqing	C
Mr. ZHENG Yi	C
Non-Executive Director	
Ms. CHEN Shaohuan	C
Independent Non-Executive Directors	
Mr. ZHANG Yizhao	B,C
Mr. RAO Yong	C

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading newspapers, journals, Company's newsletters and updates relating to the economy, general business, real estate or Directors' duties and responsibilities, etc.

Board Diversity Policy

In 2013, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Board Committees

The Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Board and the Company's affairs. All Board committees are established with defined written terms of reference which are available to shareholders on the websites of the Company and the Stock Exchange. 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.

Nomination Committee

The Nomination Committee is primarily responsible for, among other things, considering and recommending to the Board suitably qualified persons to become the member of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required.

Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of Board composition and the management of Board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The Nomination Committee will select and recommend candidates for directorship after consideration of referrals and engagement of external recruitment professionals, when necessary.

The composition of the Nomination Committee during the financial year under review was as follows:

Chairman:
Mr. KWOK Ying Shing, executive Director

Members:
Mr. ZHANG Yizhao, independent non-executive Director
Mr. RAO Yong, independent non-executive Director

The Nomination Committee was primarily responsible for the following duties during the year ended 31 December 2016:

- to review the structure, size and composition of the Board (including the skills, knowledge and experience) and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company; and
- to assess the independence of independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee is responsible for, among other things, the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. Their written terms of reference are in line with the provisions under the CG Code and explains the role and the authority delegated to the Audit Committee by the Board.

The Audit committee consists of three members, all of whom are non-executive Director and independent non-executive Directors. The composition of the Audit Committee during the financial year under review was as follows:

Chairman:
Mr. RAO Yong, independent non-executive Director

Members:
Mr. ZHANG Yizhao, independent non-executive Director
Ms. CHEN Shaohuan, non-executive Director

The Audit Committee was primarily responsible for the following duties during the year ended 31 December 2016:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to develop and implement policy on engaging an external auditor to supply non-audit services;

- to review and monitor integrity of the Company's financial statements, annual report and accounts and half-year reports and to review significant financial reporting judgements contained in them;

- to review the Company's financial controls, internal control and risk management systems;

- to discuss the internal control system with management of the Company and ensure that the management has performed its duty to have an effective internal control system;

- to review the financial and accounting policies and practices of the Company and its subsidiaries;

- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised; and

- to review the effectiveness of the risk management and internal control systems and the internal audit function.

During the year ended 31 December 2016, no audit committee meeting was held.

Remuneration Committee

The Remuneration Committee is responsible for, among other things, making recommendations to the Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation are reasonable. Their written terms of reference are in line with the provisions of the Code. Pursuant to code provision B.1.4 of the CG Code, the remuneration committee would make available its terms of reference, explaining its role and the authority delegated to it by the Board. The composition of the Remuneration Committee during the financial year under review was as follows:

Chairman:
Mr. ZHANG Yizhao, independent non-executive Director

Members:
Mr. KWOK Ying Shing, executive Director
Mr. RAO Yong, independent non-executive Director

The Remuneration Committee was primarily responsible for the following duties during the year ended 31 December 2016:

- to make recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management of the Company and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- to have the delegated responsibilities to determine the specific remuneration packages of all executive Directors and senior management members of the Company;
- to review and approve performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and approve compensation payable to executive Directors and senior management of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive for the Company;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate; and
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Report of the Directors" and note 31 to the consolidated financial statements. During the year ended 31 December 2016, the Remuneration Committee determined the remuneration packages of the executive Directors and senior management members of the Company, and reviewed the collective performance and individual performance as well as the performance-based bonus payment of them.

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 2016 is set out below:

Remuneration bands (RMB)	Number of persons
1 to 1,000,000	7
1,000,001 to 2,000,000	1
2,000,001 to 3,000,000	1
3,000,001 to 4,000,000	3
4,000,001 to 5,000,000	1
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Meeting Attendance

The attendance of Directors at Board meetings and meetings of the Board committees during the year ended 31 December 2016, as well as the number of such meetings held, is set out as follows:

Meetings attended/held

Directors	Board	Nomination Committee	Remuneration Committee
Executive Directors			
Mr. KWOK Ying Shing	1/1	1/1	1/1
Mr. SUN Yuenan	1/1		
Mr. LEI Fugui (Note 1)	1/1		
Mr. YU Jianqing	1/1		
Mr. ZHENG Yi	1/1		
Non-Executive Director			
Ms. CHEN Shaohuan	1/1		
Independent Non-Executive Directors			
Mr. ZHANG Yizhao	1/1	1/1	1/1
Mr. RAO Yong	1/1	1/1	1/1

Note:

1. Mr. LEI Fugui resigned as executive Director on 1 November 2016.

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Group. In the preparation of financial statements, the Hong Kong financial reporting standards have been adopted and the appropriate accounting policies have been consistently used and applied. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. Pursuant to code provision C.1.1 of the CG Code, management would provide sufficient explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The working scope and reporting responsibilities of Grant Thornton Hong Kong Limited, the Company's external auditor, are set out on pages 86 to 90 of the "Independent Auditor's Report" in this annual report.

External Auditors' Remuneration

Grant Thornton Hong Kong Limited has been appointed as the Group's external auditor since 24 June 2016.

During the year under review, the fee payable to Grant Thornton Hong Kong Limited in respect of its audit services and non-audit services provided to the Company were RMB 5.0 million and RMB 0.2 million, respectively.

Risk Management and Internal Control

The Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has developed and adopted risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. The Board, together with the Audit Committee, should collect the information from the risk management system, include discussions of risk and oversight of the management of those risks into the agenda of Board meetings.

An internal audit department has been established to perform regular financial and operational reviews and conduct audit of the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls are in place and functioning properly as intended. In addition, the Company, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff of the accounting and finance department and internal audit department, and their training programmes and budget.

During the course of audit performed by the external auditors, they reported on the weaknesses of the Group's risk management, internal control and accounting procedures which came to their attention.

The Directors, through the audit committee of the Company and Grant Thornton Advisory Services Limited ("**GT Advisory**"), reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group, at least annually, for the year ended 31 December 2016. GT Advisory, an external professional adviser, was engaged by the Company in August 2016 to conduct an independent internal control review and to assist the management to improve the internal control systems of the Group. After such review, the Board considered that the Company's enhanced internal control system was adequate and effective.

Handling of Inside Information

With a view to identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), procedures including notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Group to guard against possible mishandling and/or unauthorised use of inside information within the Group.

(C) NON-COMPETITION UNDERTAKING

A deed of non-competition dated 25 November 2009 (the "**Deed of Non-Competition**") was entered into between the Company and the then controlling Shareholders, namely Mr. KWOK Ying Shing, Mr. KWOK Chun Wai and Mr. KWOK Ying Chi (the "**Kwok Family**"), Da Chang Investment Company Limited ("**Da Chang**"), Da Feng Investment Company Limited ("**Da Feng**"), Da Zheng Investment Company Limited ("**Da Zheng**") and Chang Yu Investment Company Limited ("**Chang Yu**") who undertook to the Company that he/it will not directly or indirectly be involved in or undertake any business that directly or indirectly competes with our Group's business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with our Group's business.

The Company has received an annual written confirmation from each of the controlling Shareholders in respect of the compliance by them and their close associates with the Deed of Non-Competition.

Each of the then controlling shareholders (within the meaning of the Listing Rules) of the Company confirmed to the Company that each of them and his/its close associates has complied with the non-competition undertaking given by him/it to the Company under the Deed of Non-competition.

The Directors (including independent non-executive Directors) have reviewed the status of compliance and enforcement of the non-competition undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2016.

Other than the Group's business, none of the Directors or their respective associates have any interests in any business that competes or is likely to compete with the Group's business during the year ended 31 December 2016.

(D) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has established and maintained various channels of communication with the Company's shareholders and the public to ensure that they are kept abreast of the Company's latest news and business development. Information relating to the Company's financial results, corporate details, property projects and major events are disseminated through publications of interim and annual reports, announcements, circulars, press release and newsletters. The Board believes that effective investor relations can contribute towards lower cost of capital, higher market liquidity for the Company's stock and a more stable shareholder base. Therefore, the Company is committed to maintaining a high level of corporate transparency and following a policy of disclosing relevant information to shareholders, investors, analysts and bankers in a timely manner. Keeping them aware of our corporate strategies and business operations is one of the key missions of our investor relations team.

Shareholders may put forward their written enquiries to the Board. In this regard, the Shareholders may send those enquiries or requests as mentioned to the following:

Address: Suite 2001, 2015-16, 20/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong

Fax: (852) 3900 0990

Telephone: (852) 8202 6888

Pursuant to the code provisions of the CG Code, in respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The chairman of the Board should attend the AGM and invite for the chairman of the Audit Committee, Remuneration Committee and Nomination Committees any other committee (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the AGM. The chairman of the independent Board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. The Company would arrange for the notice to shareholders to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings. The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by way of a poll. No general meeting was held during the year ended 31 December 2016 and up to the date of this annual report.

Shareholder (s) holding not less than one-twentieth of the paid up capital of the Company can make a requisition to convene an extraordinary general meeting. The requisition must state the objects of the meeting, and must be signed by the relevant shareholder (s) and deposited at the registered office of the Company. Besides, Section 115A of the Companies Ordinance of Hong Kong provides that (i) shareholder (s) representing not less than one-fortieth of the total voting rights of all shareholders of the Company or (ii) not less than 50 shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK$2,000 per shareholder can put forward proposals for consideration at a general meeting of the Company by depositing a requisition in writing signed by the relevant shareholder (s) at the registered office of the Company.

There are no provisions allowing shareholders to putting forward proposals at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders who wish to put forward proposals may follow the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures are set out in the above paragraph.

The constitutional documents of the Company are available on the websites of the Company and the Stock Exchange. There were no changes in the constitutional documents of the Company for the year ended 31 December 2016.

REPORT OF THE DIRECTORS

The Board presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in property development, property investment, property management, hotel and catering operations, and cinema, department stores and cultural centre operations. The activities and particulars of the Company's subsidiaries are set out in note 43 to the consolidated financial statements. An analysis of the Group's turnover and operating profit for the year by principal activities is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

The business objectives of the Group are to develop its business and achieve sustainable growth of its business. A review of the businesses of the Group during the year using the key performance indicators and a discussion on the Group's future business development are provided in the section headed "Management Discussion and Analysis — Financial Review" in this report. Description of key risk factors and uncertainties that the Group is facing are provided in the section headed "Management Discussion and Analysis — Principal Risks and Uncertainties".

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 and other comprehensive income on page 91 in this annual report.

DIVIDENDS

The Board does not recommend payment of a final dividend for the year ended 31 December 2016 (2015: nil).

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

There were no changes in the number of the issued Shares during the year ended 31 December 2016. Details of movements during the year in the share capital of the Company are set out in note 20 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity. Details of the distributable reserves of the Company as at 31 December 2016 are set out in note 42 to the consolidated financial statements.

BORROWINGS

Details of the borrowings are set out in note 22 to the consolidated financial statements.

CHARITABLE DONATIONS

The charitable donations made by the Group during the year amounted to RMB26.0 million (2015: RMB10,000).

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

During the year ended 31 December 2016, the Company implemented the offshore debt restructuring through inter-conditional schemes of arrangement in the Cayman Islands and Hong Kong (the "**Schemes**"). As announced by the Company on 12 July 2016, the Schemes became effective as a matter of Cayman Islands law and Hong Kong law.

The details of the Existing Senior Notes and Convertible Bonds:

	Amount in US$	Maturity
RMB1.5 billion US$ settled 8% convertible bonds due 2015	231,604,305	20 December 2015
RMB1.8 billion 6.875% senior notes due 2016	276,005,888	22 April 2016
US$250 million 12.875% senior notes due 2017	250,000,000	18 September 2017
US$550 million 8.875% senior notes due 2018	550,000,000	19 March 2018
US$250 million 8.875% senior notes due 2018	250,000,000	19 March 2018
US$400 million 9.0% senior notes due 2019	400,000,000	6 June 2019
US$500 million 10.25% senior notes due 2020	500,000,000	8 January 2020

Pursuant to the Schemes, the above securities, including the Existing Senior Notes and the Convertible Bonds (the "**Existing Securities**") were cancelled in exchange for the Series A Notes, the Series B Notes, the Series C Notes, the Series D Notes, the Series E Notes (collectively, the "**New Senior Notes**") and the Mandatorily Exchangeable Bonds in July 2016. Details of which are set out below:

	Principal/ Notional Amount (in US$)
The Mandatorily Exchangeable Bonds	259,486,248
Variable rate senior notes due 31 December 2019 in a principal amount equal to 10% of all New Senior Notes (the "**Series A Notes**")	277,460,905
Variable rate senior notes due 30 June 2020 in a principal amount equal to 18% of all New Senior Notes issued (the "**Series B Notes**")	499,429,957
Variable rate senior notes due 31 December 2020 in a principal amount equal to 22% of all New Senior Notes issued (the "**Series C Notes**")	610,414,552
Variable rate senior notes due 30 June 2021 in a principal amount equal to 24% of all New Senior Notes issued (the "**Series D Notes**")	665,906,865
Variable rate senior notes due 31 December 2021 in a principal amount equal to 26% of all New Senior Notes issued (the "**Series E Notes**")	721,398,993

All coupon rates are express on an annual basis.

	2016		2017			30 June 2018			31 December 2018		2019 Onwards	
			PIK Toggle			PIK Toggle			PIK Toggle			
Issues	**PIK**	**Cash**	**PIK or Cash**		**Cash**	**PIK or Cash**		**Cash**	**PIK or Cash**		**Cash**	**PIK**
Series A Notes	6.56%	1.00%	6.56%	4.61%	2.00%	4.66%	3.71%	4.10%	2.56%	2.61%	6.10%	0.56%
Series B Notes	6.56%	1.00%	6.56%	4.61%	2.00%	6.16%	5.21%	5.60%	2.56%	2.61%	7.60%	0.56%
Series C Notes	6.56%	1.00%	6.56%	4.61%	2.00%	7.16%	6.21%	6.60%	2.56%	2.61%	8.60%	0.56%
Series D Notes	6.56%	1.00%	6.56%	4.61%	2.00%	7.96%	7.01%	7.40%	2.56%	2.61%	9.40%	0.56%
Series E Notes	6.56%	1.00%	6.56%	4.61%	2.00%	8.46%	7.51%	7.90%	2.56%	2.61%	9.90%	0.56%
Mandatorily Exchangeable Bonds and the Exchange Convertible Bonds	5.56%	1.00%	5.56%	3.61%	2.00%	4.56%	3.61%	4.00%	2.56%	2.61%	6.00%	0.56%

The Mandatorily Exchangeable Bonds, upon the satisfaction of certain conditions as detailed in the Company' announcement dated 17 March 2016, will automatically be exchanged for new convertible bonds.

Save as disclosed above, during the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and the new convertible bonds to be issued, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year or subsisted at the end of the year.

RESUMPTION PROGRESS

Trading in the Shares on the Stock Exchange has been suspended since March 2015. The Stock Exchange imposed on the Company certain conditions to the resumption of the trading in the Shares. For details of those conditions, please refer to the announcement of the Company dated 23 July 2015. The Board is in the course of taking necessary actions and steps to fulfill those resumption conditions and will keep the shareholders and potential investors of the Company informed of the progress, as and when appropriate.

DIRECTORS

During the year ended 31 December 2016 and up to the date of this report, the Directors were as follows:

Executive Directors

Mr. KWOK Ying Shing
Mr. SUN Yuenan
Mr. LEI Fugui (resigned on 1 November 2016)
Mr. YU Jianqing
Mr. ZHENG Yi

Non-Executive Director

Ms. CHEN Shaohuan

Independent Non-Executive Directors

Mr. ZHANG Yizhao
Mr. RAO Yong
Mr. LIU Xuesheng (appointed on 28 February 2017)

In accordance with Article 84(1) of the Articles, Mr. SUN Yuenan, Ms. CHEN Shaohuan, Mr. RAO Yong and Mr. ZHANG Yizhao shall retire by rotation at the forthcoming AGM and each of them, being eligible, would offer themselves for reelection at the forthcoming AGM.

In accordance with Article 83(3) of the Articles, Mr. KWOK Ying Shing, Mr. ZHENG Yi, Mr. YU Jianqing and Mr. LIU Xuesheng shall hold office until the forthcoming AGM, and being eligible, would offer themselves for re-election at the forthcoming AGM.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Pursuant to 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive Director Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive directors of a listed issuer must represent at least one-third of the board. Upon the resignation of Mr. FOK Hei Yu on 31 December 2014 as Independent Non-executive Director, the Board comprises eight directors including five executive Directors, one non-executive Director and two independent non-executive Directors. Accordingly, the number of independent non-executive Directors has fallen below the minimum number of three and does not consist of one-third of the Board as required under Rules 3.10(1) and Rule 3.10A of the Listing Rules during the period from 31 December 2014 to 27 February 2017. In order to comply with Rules 3.10(1) and 3.10A of the Listing Rules, Mr. LIU Xuesheng was appointed as an independent non-executive Director on 28 February 2017.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

The biography of all the Directors and members of the senior management of the Company are set out on pages 50 to 54.

DIRECTOR’S SERVICE CONTRACTS

Each of the executive Directors has entered into service contract with the Company for a term of three years, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months’ prior notice in writing. Each of the non-executive Director and the independent non-executive Directors has entered into letter of appointment with the Company and is appointed for a period of one year commencing on the date of listing/appointment (as the case may be), which will continue subject to re-election at the Company’s general meeting, and such letter of appointment could be terminated by giving not less than three months’ prior notice in writing. None of the Directors has entered into a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 22 November 2009. A summary of the principal terms of the Share Option Scheme is set out as follows:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options of the Company to eligible participants with the view to achieving the following objectives.

(i) motivate the Eligible Participants (as defined below) to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants of the Share Option Scheme

Participants of the Share Option Scheme include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, advisers and agents to the Company or any of its subsidiaries (the "**Eligible Participants**").

(3) Total number of Shares available for issue under the Share Option Scheme

The total number of Shares which may be issued upon exercise of all Share options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the Shares in issue from time to time. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and options under the other schemes of the Company is not permitted to exceed 10% limit, unless with the prior approval from the shareholders of the Company. The Share Option Scheme limit was refreshed at the extraordinary general meeting held on 31 March 2014. As at 31 December 2016, the maximum number of the Shares available for issue upon exercise of all Share options which may be granted under the Share Option Scheme is 496,511,100 Shares, representing approximately 9.67% of the issued share capital of the Company as at the date of the report.

During the year ended 31 December 2016, no options were granted under the Share Option Scheme. For the year ended 31 December 2016, no options were exercised or cancelled, and a total of 16,144,000 options were forfeited/lapsed.

(4) Maximum entitlement of each Participant

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Company to each participant of the Share Option Scheme in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of Shares in issue.

(5) Period within which the securities must be taken up under an option

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant.

(6) Payment on acceptance of option offer

HK$1.00 is payable by the participant of the Share Option Scheme to the Company upon acceptance of the option offered as consideration for the grant.

(7) Basis of determining the subscription price

The subscription price per Share under the Share Option Scheme is determined by the Board and notified to each participant and shall be no less than the highest of (i) the official closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(8) Remaining life of the Share Option Scheme

The Share Option Scheme will remain valid until 9 December 2019 after which no further options may be granted. In respect of all options which remain exercisable on such date, the provisions of the Share Option Scheme shall remain in full force and effect. The summary below sets out the details of options granted as at 31 December 2016 pursuant to the Share Option Scheme:

Grantee	Balance as of 1 January 2016 (Note 1)	Grant during the year ended 31 December 2016	Exercised during the year ended 31 December 2016	Cancelled/ Forfeited/ Lapsed during the year ended 31 December 2016	Balance as of 31 December 2016
Directors					
SUN Yuenan	20,020,000	–	–	–	20,020,000
YU Jianqing	6,000,000	–	–	–	6,000,000
ZHANG Yizhao	1,000,000	–	–	–	1,000,000
RAO Yong	1,000,000	–	–	–	1,000,000
ZHENG Yi	588,000	–	–	–	588,000
Other employees					
In aggregate	95,004,000	–	–	(16,144,000)	78,860,000
Total	123,612,000	–	–	(16,144,000)	107,468,000

Note:

(1) For the information on the date of grant, exercise period and exercise price in relation to the outstanding Share options as at 1 January 2016, please refer to Note 39 to the Consolidated Financial Statements. The outstanding share options are exercised during the following periods: (i) up to 20% of the Share options granted to the grantees at any time after the expiration of 12 months from the respective date of grant; (ii) up to 20% of the Share options granted to the grantees at any time after the expiration of 24 months from the respective date of grant; (iii) up to 20% of the Share options granted to the grantees at any time after the expiration of 36 months from respective date of grant; (iv) up to 20% of the Share options granted to the grantees at any time after the expiration of 48 months from the respective date of grant; and (v) all the remaining the Share options granted to the grantees at any time after the expiration of 60 months from respective date of grant.

As at 31 December 2016, a total of 81,752,000 options were exercisable.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and Chief Executive's Interests in Securities

As at 31 December 2016, the interests and short positions of Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which (a) 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 they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares:

Name of Director	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company (Note) %
KWOK Ying Shing	Interest in a controlled corporation	843,065,378	16.42%

Note:

The percentages were calculated based on 5,135,427,910 Shares in issue as at 31 December 2016.

(ii) Long positions in the underlying Shares:

Name of Director	Capacity	Number of the underlying Shares	Approximate percentage of shareholding of the issued share capital of the Company (Note) %
SUN Yuenan	Beneficial owner	20,020,000	0.39%
YU Jianqing	Beneficial owner	6,000,000	0.12%
ZHANG Yizhao	Beneficial owner	1,000,000	0.02%
RAO Yong	Beneficial owner	1,000,000	0.02%
ZHENG Yi	Beneficial owner	588,000	0.01%

Note:

The percentages were calculated based on 5,135,427,910 Shares in issue as at 31 December 2016, assuming all the options granted under the Share Option Scheme have been exercised.

Save for those disclosed above, as at 31 December 2016, none of the Directors or chief executive had any interests or short positions in the 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 required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Schemes as set out in note 39 to the consolidated financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 41 to the consolidated financial statements, no transaction, arrangements or contract of significance to which the Company, its holding company or their subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year ended 31 December 2016.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance between the controlling shareholder of the Company or any of its subsidiaries and the Group was made during the year ended 31 December 2016.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2016 are set out in note 41 to the consolidated financial statements, which are in compliance with the requirements of the Listing Rules.

REMUNERATION POLICY

The remuneration policy (which includes the payment of the emoluments to the employees) of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' performance, qualifications and experiences. Details of the remuneration of the Directors are set out in note 31 to the consolidated financial statements, having regard to the Company's operating results, individual performance of the Directors and senior management are comparable market statistics. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees, details of the Share Option Scheme are set out in the report of Directors and note 39 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

At no time during the year ended 31 December 2016, none of the Director, their close associate or a shareholder of the Company (who to the knowledge of the Directors own more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest suppliers or customers.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as the Directors were aware, persons other than the Directors or chief executive of the Company, who had interests or a short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are set out as follows:

Name of substantial shareholder	Capacity	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Da Chang	Beneficial owner	843,065,378 (L) (Note 2)	16.42%
Da Feng	Beneficial owner	843,065,378 (L) (Note 2)	16.42%
Da Zheng	Beneficial owner	843,065,377 (L) (Note 2)	16.41%
Funde Sino Life Insurance Co., Ltd.	Beneficial owner Interest in a controlled corporation	649,700,957 (L) 887,995,149 (L) (Note 3)	29.94%
Fund Resources Investment Holding Group Company Limited	Beneficial owner	887,995,149 (L)	17.29%
Kwok Ying Chi	Interest in a controlled corporation	843,065,377 (L)	16.41%
Kwok Hiu Kwan	Interest in a controlled corporation	843,065,378 (L)	16.42%

Notes:

1. The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

2. Each of Da Zheng, Da Feng and Da Chang is wholly owned by Mr. Kwok Ying Chi, Mr. Kwok Ying Shing and Mr. Kwok Hiu Kwan, respectively.

3. 887,995,149 Shares were held by Fund Resources Investment Holding Group Company Limited, which was wholly owned by Funde Sino Life Insurance Co., Ltd. as at 31 December 2016. By virtue of SFO, Funde Sino Life Insurance Co., Ltd is deemed to be interested in Shares held by Fund Resources Investment Holding Group Company Limited. Reference is made to the form of the disclosure of interests filed by Funde Sino Life Insurance Co., Ltd on 3 December 2014.

4. The percentages were calculated based on 5,135,427,910 Shares in issue as at 31 December 2016.

Save for those disclosed above, as at 31 December 2016, to the best of the Directors' knowledge, no other persons had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

PERMITTED INDEMNITY PROVISION

Under the Articles, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

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

ENVIRONMENTAL PROTECTION

As a responsible developer, the Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental measures to ensure that the conducting of the Group's business meets the applicable local standards and ethics in respect of environmental protection. The Group puts great emphasis in environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conservation and environment protection were strongly promoted, leading to the remarkable achievement of environmental management.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures have been enhanced to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. Save as disclosed in the section head "Other non-compliances with the Listing Rules", as far as the Company is aware, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the year ended 31 December 2016.

KEY RELATIONSHIPS WITH THE GROUP'S STAKEHOLDERS

Workplace Quality

The Group believes that the directors, senior management and employees of the Group are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. As such, the Share Option Scheme was adopted by the Company for the purpose of providing incentives and rewards to the Eligible Participants (as defined above) who contributed to the success of the Group's operations.

The Group provides on the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised staff-friendly activities for employees, such as annual dinner, to promote staff relationship.

The Group provides on providing a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues. The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

Relationships with the Group's other stakeholders

The Group placed efforts in maintaining good relationships various financial institutions and banks given that the Group's business is capital intensive and require on-going funding for the development and growth of the Group's business. Further, the Group aims at delivering constantly high standards of quality in the products to its customers in order to stay competitive. Save as disclosed in this report, the Directors are not aware of any material and significant dispute between the Group and its financial institutions and/or customers during the year ended 31 December 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, during the year ended 31 December 2016, the public float of the Company fell below the prescribed public float requirements under the Listing Rules. The public float was restored through the transfer of 217,392,000 Shares, representing approximately 4.23% of the issued share capital of the Company, by Da Chang to an independent third party on 23 February 2017.

AUDITOR

Pricewaterhouse Coopers were appointed as auditor of the Company for the year ended 31 December 2013, re-appointed by the Company at the annual general meeting held on 31 March 2014 and resigned as the auditor of the Company with effect from 24 June 2016. For further details of the resignation, please refer to the announcement of the Company dated 15 July 2016.

Grant Thornton Hong Kong Limited was appointed as the auditor of the Company on 24 June 2016. Grant Thornton Hong Kong Limited will only hold office until the conclusion of the next following annual general meeting of the Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

On behalf of the Board

KWOK Ying Shing
Chairman

Hong Kong, 25 March 2017

INDEPENDENT AUDITOR'S REPORT

Grant Thornton

To the members of Kaisa Group Holdings Ltd.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 91 to 185, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 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 judgement, 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of properties under development and completed properties held for sale As at 31 December 2016, the Group had properties under development and completed properties held for sale ("properties") amounting to RMB60,559,839,000 and RMB16,246,233,000, respectively, which in total represented approximately 46% of the total assets of the Group. These properties are carried at the lower of cost and net realisable value. Significant management judgement is required in determining the estimated net realisable values of these properties with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale. The accounting policies and disclosures for the impairment of properties under development and completed properties held for sale are included in notes 4, 11 and 12 to the consolidated financial statements.	We have understood and evaluated the management's procedures on identifying properties for which the net realisable values may be lower than their carrying amounts, including the methodologies and inputs used in the estimation of the net realisable values. Our procedures included: (i) testing the calculation for the impairment assessment performed by management; (ii) assessing future costs to be incurred to completion on a sample basis; (iii) comparing the carrying amounts of the properties taking into account the estimated amounts to completion with the related net realisable value with regard to properties under development; (iv) engaging our affiliate member firm's valuation specialists to assist us in assessing the methodologies and assumptions used in impairment assessment.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
As at 31 December 2016, the Group had investment properties amounting to RMB30,690,680,000, which in total represented approximately 19% of the total assets of the Group. The estimate of the fair value of the Group's investment properties requires significant management judgement taking into account the conditions and locations of the properties as well as the latest market transactions. To support management's determination of the fair value, the Group has engaged an external valuer to perform valuations on the investment properties at end of the reporting period. The accounting policies and disclosures for the estimation of fair value of investment properties are included in notes 4 and 7 to the consolidated financial statements.	We read the valuation reports for all properties and discussed with the valuer to assess the methodologies and assumptions adopted in the valuation of the properties. We noted that the valuation approach and key assumptions used to estimate each of the Group's investment properties were suitable in determining the fair value of the Group's investment properties as at 31 December 2016. We assessed the valuers' qualifications and expertise and read their terms of engagement and evaluated the objectivity, independence and competence of the valuers.
Accounting for offshore debt restructuring	
The Offshore Debt Restructuring (as defined in note 22 to the consolidated financial statements) was effected in July 2016 (with details disclosed in note 22 to the consolidated financial statements). A gain on extinguishment of financial liabilities of RMB716,143,000 was recognised for the year ended 31 December 2016. Significant management judgement was required to determine whether the exchanges in debts had substantially different terms.	We reviewed the terms of the Original Offshore Debts and the new Offshore Debts (as defined in note 22 to the consolidated financial statements) and evaluated the management's assessment on whether the Original Offshore Debts and the New Offshore Debts have substantially different terms. We recalculated the gain on extinguishment of financial liabilities in accordance with HKAS 39.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2016 annual report of the Company, 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 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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

The directors are assisted by the Audit Committee in discharging their responsibility 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. We report our opinion solely to you, as a body, 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.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

- 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 the Audit Committee 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 the Audit Committee 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.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the Audit Committee, 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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

25 March 2017

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5	**17,771,517**	10,926,535
Cost of sales	28	**(15,459,546)**	(10,583,158)
Gross profit		**2,311,971**	343,377
Other gains and (losses), net	27	**(560,512)**	(216,339)
Selling and marketing costs	28	**(842,695)**	(559,419)
Administrative expenses	28	**(1,745,262)**	(1,066,169)
Changes in fair value of investment properties	7	**4,161,371**	3,824,520
Changes in fair value of financial derivatives		**(21,500)**	(42,219)
Operating profit		**3,303,373**	2,283,751
Share of results of associates	10(a)	**(40,578)**	(3,586)
Share of results of joint ventures	10(b)	**8,223**	–
Finance income		**39,236**	10,717
Finance costs		**(2,159,602)**	(2,117,161)
Finance costs, net	29	**(2,120,366)**	(2,106,444)
Gain on extinguishment of financial liabilities	22(a)	**716,143**	–
Profit before income tax		**1,866,795**	173,721
Income tax expenses	32	**(2,214,306)**	(1,428,205)
Loss for the year		**(347,511)**	(1,254,484)
Other comprehensive loss, including reclassification adjustments			
Item that will be reclassified subsequently to profit or loss			
Changes in value of available-for-sale financial assets, net of tax	13	**(210)**	–
Other comprehensive loss for the year, including reclassification adjustments		**(210)**	–
Total comprehensive loss for the year		**(347,721)**	(1,254,484)
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(612,380)**	(1,121,577)
Non-controlling interests		**264,869**	(132,907)
		(347,511)	(1,254,484)
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(612,590)**	(1,121,577)
Non-controlling interests		**264,869**	(132,907)
		(347,721)	(1,254,484)
Loss per share for loss attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic	33	**(0.119)**	(0.218)
– Diluted	33	**(0.119)**	(0.218)

The notes on pages 96 to 185 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property and equipment	6	**1,087,064**	760,171
Investment properties	7	**30,690,680**	20,738,703
Land use rights	8	**163,178**	162,942
Investments in associates	10(a)	**1,331,121**	783,175
Investments in joint ventures	10(b)	**931,751**	–
Available-for-sale financial assets	13	**154,538**	–
Goodwill and intangible assets	9	**217,798**	–
Long-term bank deposits	19	**–**	1,479
Deferred income tax assets	23	**26,543**	32,207
		34,602,673	22,478,677
Current assets			
Properties under development	11	**60,559,839**	63,861,735
Completed properties held for sale	12	**16,246,233**	17,663,012
Available-for-sale financial assets	13	**13,104**	10,000
Debtors, deposits and other receivables	14	**5,786,042**	5,357,835
Deposits for land acquisition	15	**17,693,750**	4,002,386
Prepayments for proposed development projects	16	**13,620,415**	10,566,950
Prepaid taxes		**727,280**	298,157
Restricted cash	18	**5,696,597**	969,403
Short-term bank deposits	19	**56,917**	13,974
Cash and cash equivalents	19	**10,819,117**	2,324,546
		131,219,294	105,067,998
Current liabilities			
Advance proceeds received from customers and deposits received	24	**27,973,395**	14,524,168
Accrued construction costs		**10,704,790**	14,591,720
Income tax payable		**4,440,460**	3,989,909
Borrowings	22	**7,762,301**	33,713,019
Financial derivatives	17	**263,822**	–
Other payables	25	**6,816,833**	5,287,570
Amounts due to non-controlling interests of subsidiaries	26	**836,019**	672,405
		58,797,620	72,778,791
Net current assets		**72,421,674**	32,289,207
Total assets less current liabilities		**107,024,347**	54,767,884

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Borrowings	22	**79,774,515**	38,405,150
Deferred income tax liabilities	23	**4,203,433**	3,163,089
		83,977,948	41,568,239
Net assets		**23,046,399**	13,199,645
EQUITY			
Share capital	20	**450,450**	450,450
Share premium	20	**4,253,704**	4,253,704
Reserves	21	**8,241,973**	8,845,390
Equity attributable to equity holders of the Company		**12,946,127**	13,549,544
Non-controlling interests		**10,100,272**	(349,899)
Total equity		**23,046,399**	13,199,645

The consolidated financial statements on pages 91 to 185 were approved by the Board of Directors on 25 March 2017 and were signed on its behalf.

Kwok Ying Shing
Director

Zheng Yi
Director

The notes on pages 96 to 185 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Capital and reserves attributable to equity holders of the Company					
	Share capital RMB'000 (note 20)	Share premium RMB'000 (note 20)	Reserves RMB'000 (note 21)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balances as at 1 January 2015	450,450	4,253,704	9,958,817	14,662,971	(213,992)	14,448,979
Total comprehensive loss for the year	–	–	(1,121,577)	(1,121,577)	(132,907)	(1,254,484)
Deregistration of a non-wholly owned subsidiary	–	–	–	–	(3,000)	(3,000)
Share-based payments	–	–	8,150	8,150	–	8,150
Balance as at 31 December 2015 and 1 January 2016	**450,450**	**4,253,704**	**8,845,390**	**13,549,544**	**(349,899)**	**13,199,645**
(Loss)/profit for the year	**–**	**–**	**(612,380)**	**(612,380)**	**264,869**	**(347,511)**
Other comprehensive loss for the year	**–**	**–**	**(210)**	**(210)**	**–**	**(210)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(612,590)**	**(612,590)**	**264,869**	**(347,721)**
Acquisitions of subsidiaries (note 38)	**–**	**–**	**–**	**–**	**10,185,302**	**10,185,302**
Share-based payments	**–**	**–**	**5,881**	**5,881**	**–**	**5,881**
Others	**–**	**–**	**3,292**	**3,292**	**–**	**3,292**
Balance as at 31 December 2016	**450,450**	**4,253,704**	**8,241,973**	**12,946,127**	**10,100,272**	**23,046,399**

The notes on pages 96 to 185 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Cash flow from operating activities			
Cash generated from/(used in) operations	34	**13,103,068**	(91,375)
Income tax paid		**(1,180,969)**	(370,649)
Interest paid		**(4,959,305)**	(4,820,603)
Net cash generated from/(used in) operating activities		**6,962,794**	(5,282,627)
Cash flow from investing activities			
Purchase of property and equipment	6	**(106,089)**	(25,795)
Additions to investment properties	7	**(3,334,880)**	(658,023)
Dividend income received from available-for-sale financial assets		**20,801**	–
Proceeds from disposal of available-for-sale financial assets		**252,172**	46,823
Additions to land use rights	8	**(6,522)**	–
Acquisitions of subsidiaries, net of cash acquired		**(5,786,306)**	–
Proceeds from disposal of property and equipment		**–**	2,463
(Increase)/decrease in short-term bank deposits		**(42,943)**	175,886
Decrease in long-term bank deposits		**1,479**	63,216
Interest received		**39,236**	10,717
Additions to intangible assets	9	**(74,378)**	–
Acquisitions of associates	10(a)	**(579,611)**	(8,300)
Acquisitions of joint ventures	10(b)	**(923,528)**	–
Acquisitions of available-for-sale financial assets	13	**(274,686)**	–
Advance to an associate		**(400,000)**	–
Advance to a joint venture		**(599,390)**	–
Increase in other receivables		**(132,186)**	(522,270)
Net cash used in investing activities		**(11,946,831)**	(915,283)
Cash flow from financing activities			
Proceeds from bank and other borrowings		**39,746,211**	23,481,357
Repayments of bank and other borrowings		**(27,108,483)**	(20,982,854)
Proceeds from loan from a related company		**–**	1,377,000
Deregistration of a non-wholly owned subsidiary		**–**	(3,000)
Increase in other payables		**534,545**	1,526,041
Advance from an associate		**132,157**	–
Increase in amounts due to non-controlling interests of subsidiaries		**163,614**	87
Net cash generated from financing activities		**13,468,044**	5,398,631
Net increase/(decrease) in cash and cash equivalents		**8,484,007**	(799,279)
Cash and cash equivalents at beginning of the year		**2,324,546**	3,131,154
Exchange adjustments		**10,564**	(7,329)
Cash and cash equivalents at end of the year		**10,819,117**	2,324,546

The notes on pages 96 to 185 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company has been engaged in investment holding and the subsidiaries of the Company have been principally engaged in property development, property investment, property management, hotel and catering operations and cinema, department store and cultural centre operations.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 25 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, as well as certain financial assets and financial liabilities which are carried at fair value at subsequent reporting dates.

The preparation of consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(i) New and amended standards adopted by the Group

The following amended standards that may be relevant to the Group's operations have been adopted by the Group for the first time for the financial year beginning on 1 January 2016:

Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKAS 1	Disclose Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle

The application of the above amended standards did not have material financial impact to the Group.

(ii) New standards, amended standards and interpretation that have been issued but were not yet effective

The following new and amended standards, and interpretation have been issued but were not effective for the financial year beginning on 1 January 2016 that are relevant to and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKAS 7 (Amendments)	Statement of Cash Flows: Disclosure Initiative	1 January 2017
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle	1 January 2017 or 1 January 2018, as appropriate

The Group will adopt the above new and amended standards, and interpretation when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date when the Group ceases to have control.

Intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to confirm with the Group's accounting policies.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at proportionate share of the recognised non-controlling interest's amounts of the acquiree's identifiable net assets.

Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or the proportionate share of the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share of the subsidiary's carrying value of net assets is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the difference being recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group has directly disposed of the related assets or liabilities. This may mean that the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Separate financial statements

In the Company's statement of financial position (in note 42 to the consolidated financial statements), the investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment . When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables that, in substance, form part of the Group's investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of result from associate in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interest associates are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Joint arrangements

Under HKFRS 11, an investment in a joint arrangement is classified as either a joint operation or joint venture depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interest in joint venture is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of intangible assets and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment loss.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.7 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company and the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance costs – net'. All other foreign exchange gains and losses are presented in profit or loss within 'other gains and (losses) – net'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position of the group entities are translated at the closing rate at the reporting date;

– income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and

– all resulting exchange differences are recognised in other comprehensive income.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Land use rights

The Group makes upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Hotel properties	20–25 years
Buildings	20–25 years
Motor vehicles	5–10 years
Furniture, fitting and equipment	3–8 years
Vessels	10 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8 to the consolidated financial statements).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other (losses)/gains – net" in profit or loss.

2.11 Investment properties

Investment properties, principally comprising leasehold land and buildings, are properties held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the properties.

Investment properties are derecognised either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investment properties (Continued)

When investment properties undergo a change in use, evidenced by commencement of development with a view to sale, the properties are transferred to property under development at its fair value at the date of change in use.

If investment properties become owner-occupied, or commences to be further developed for sale, they are reclassified into appropriate classes of properties, and their fair value at the date of reclassification becomes their cost for accounting purposes.

If the land use rights and the attached properties for own-use become an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of the land use rights and the attached properties under HKAS 16. Any revaluation reserve balance of the property is transferred to retained earnings in the statement of profit or loss and other comprehensive income upon the subsequent disposal of the investment property.

For a transfer from completed properties for sale to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2.12 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, available-for-sale financial assets and derivatives (see note 2.17 to the consolidated financial statements). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are classified as "debtors, deposits and other receivables", "restricted cash", "short-term bank deposits", "long-term bank deposits" and "cash and cash equivalents" in the consolidated statement of financial position.

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the reporting date.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses (see note 2.13 to the consolidated financial statements). Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets carried at amortised cost or at cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may includes indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment is recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured at the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2.14 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on marketing conditions.

Development cost of properties comprises construction costs, land use rights in relation to properties under development for subsequent sale, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Completed properties held for sale

Completed properties remaining unsold at each reporting date are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties and borrowing costs (see note 2.14 to the consolidated financial statements).

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.17 Financial derivatives

Financial derivatives are initially recognised at fair value on the date when the derivative contracts are entered into and are subsequently re-measured at their fair values.

Financial derivatives are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in profit or loss.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks.

Restricted cash, short-term bank deposits and long-term bank deposits are not included in cash and cash equivalents.

2.19 Share capital

Ordinary shares are classified as equity.

2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability, a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. When the terms of a financial liability are modified that result in a substantial modification in the context of HKAS 39, the existing liabilities are derecognised and the new liabilities are recognised at fair values, with the difference net of related fees or transaction costs paid being recognised in profit or loss. When the terms of a financial liability are modified that do not result in a substantial modification in the context of HKAS 39, the existing debts are not derecognised. The related fees paid or transaction costs are adjusted to the carrying amount of the existing debts and amortised over the remaining terms of the liabilities.

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

2.22 Convertible bonds

(i) Convertible bonds with equity component

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry or when the Group redeems some or all of the convertible bonds upon exercise of the put option by the bond holders.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Convertible bonds (Continued)

(ii) Convertible bonds without equity component

All other convertible bonds which do not exhibit the characteristics mentioned in (i) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract. At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in profit or loss. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the convertible bonds are converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the convertible bonds are redeemed, any difference between the redemption amount and the carrying amounts of both components are recognised in profit or loss.

2.23 Borrowing costs

General and specific 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. Other borrowing costs are recognised as an expense in the financial period which they are incurred.

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company’s subsidiaries and its associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Current and deferred income tax (Continued)

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. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the People's Republic of China (the "PRC"), the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees in Hong Kong.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Employee benefits (Continued)

(iii) Bonus entitlements

The expected cost of bonus payment is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) Share-based payments

The Group operates equity-settled share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market performance vesting conditions. At each reporting date, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium) when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding credit to equity in the parent entity accounts.

2.26 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services, stated net of discounts, returns and value added tax, in the ordinary course of the Group's activities. Revenue is shown after eliminating sales with the group entities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria has been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Sales of properties

(1) Completed properties held for sale

Revenue from sales of completed properties held for sale is recognised when the risks and rewards of properties are transferred to the purchasers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured.

(2) Properties under development/held for sale and proposed development projects

Revenue from sales of properties under development and proposed development projects is recognised when the risks and rewards of properties or projects are transferred to the purchasers, which occurs when the relevant properties or projects have been delivered to the purchasers and collectability of related receivables is reasonably assured.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advance proceeds received from customers and deposits received under current liabilities.

(ii) Rental income

Rental income from properties letting under operating leases is recognised on a straight-line basis over the lease terms.

(iii) Property management

Revenue arising from property management is recognised in the accounting period in which the service is rendered, using a straight-line basis over the term of the contact.

(iv) Hotel operation income

Hotel revenue from room rental, food and beverage sales and other ancillary services is recognised when the goods are delivered and the services are rendered.

(v) Catering income

Revenue from restaurant operations is recognised when food, beverages and services are delivered or rendered to customers and collectability of the related receivables is reasonably assured.

(vi) Hire income from charter

Hire income from time charter is accounted for as operating lease and is recognised on a straight-line basis over the period of each time charter contract.

(vii) Passenger transportation agency service

Revenues from passenger transportation agency service are recognised based on net agencies fee upon departure of ferries at terminals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Interest income

Interest income is recognised using the effective interest method.

2.29 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the term of the lease.

(ii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Rental income from operating lease is recognised on a straight-line basis over the term of the lease.

2.30 Dividend distribution

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the equity holders or the board of directors, where applicable.

2.31 Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for the property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the consolidated statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

2.32 Government Grants

Grants from the government are recognised where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property and equipment are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.33 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

- (i) has control or joint control over of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.33 Related parties (Continued)

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group;

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

(iii) the entity and the Group are joint ventures of the same third party;

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group *(if the Group is itself such a plan)* and the sponsoring employers are also related to the Group;

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

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

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

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

3. FINANCIAL RISK MANAGEMENT

The Group conducts its operations in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's major financial instruments include available-for-sale financial assets, debtors, deposits and other receivables, cash and cash equivalents, restricted cash, bank deposits, accrued construction costs, other payables, financial derivatives and borrowings. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

3.1 Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Risk management is carried out by the Group's management under the supervision of the Board. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board provides guidance for overall risk management.

(i) Market risk

(1) Foreign currency exchange risk

The Group's businesses are principally conducted in RMB, except that certain borrowings are denominated in foreign currencies. The major non-RMB assets and liabilities are bank deposits, derivatives and borrowings denominated in Hong Kong dollar ("HKD") and the United States dollar ("USD").

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances and borrowings denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(1) Foreign currency exchange risk (Continued)

The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated statement of financial position are as follows:

	2016 **RMB'000**	2015 RMB'000
Assets		
HKD	**68,817**	98,792
USD	**19,212**	28,998
	88,029	127,790
Liabilities		
HKD	**280,066**	810,263
USD	**20,673,857**	17,134,275
	20,953,923	17,944,538

As at 31 December 2016, if RMB had strengthened/weakened by 5% (2015: 5%) against USD and HKD, with all other variables held constant, the Group's post-tax loss for the year would have been approximately RMB894,924,000 and RMB10,443,000 decreased/increased (2015: RMB814,550,000 and RMB34,086,000 decreased/increased) respectively, mainly as a result of net foreign exchange gains/losses on translation of USD and HKD denominated bank deposits and borrowings.

(2) Interest rate risk

The Group has been exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry prevailing market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from interest bearing bank deposits, bank and other borrowings, convertible bonds and senior notes, Series A–E Senior Notes (the "New Senior Notes") and mandatorily exchangeable bonds ("MEBs"). Bank deposits and bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Convertible bonds, senior notes, New Senior Notes, MEBs and other borrowing issued at fixed rates expose the Group to fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2016, if interest rates had been increased/decreased by 100 (2015: 100) basis points and all other variables were held constant, the Group's post-tax loss for the year would have been RMB380,624,000 increased/decreased (2015: RMB68,213,000 increased/decreased). Majority of the interest expenses would be capitalised as a result of such interest expenses directly attributable to the property construction.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Price risk

The Group is exposed to commodity price risk in relation to its products which is largely dependent on market price of the relevant commodity. The Group closely monitors the price of its products in order to determine its pricing strategies.

The Group is also exposed to price risk in connection with certain available-for-sale financial assets held by the Group which are publicly traded on stock exchange. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements. If the price of the equity security had been 5% (2015: nil) increased/decreased, post-tax loss for the year ended 31 December 2016 would have been decreased/increased by approximately RMB41,000 (2015: nil).

(ii) Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of restricted cash, bank deposits, cash and cash equivalents, and debtors, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group reviews the recoverable amount of debtors, deposits and other receivables on a regular basis and an allowance for doubtful debts is made where there is an identified loss.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debtor at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is limited.

The credit risk on liquid funds is limited because the counterparties are state-owned financial institutions and reputable banks with high credit rankings.

The Group has arranged bank financing for certain purchasers of property units for an amount up to 70% of the total purchase price of the property, and provided guarantees to banks to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(iii) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank and other borrowings to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

The Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction plans for properties under development, implementing cost control measures, accelerating sales with more flexible pricing, seeking partners to develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The following table details the Group's contractual maturities for its 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 represents both interest and principal cash flows.

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2016					
Borrowings	**14,451,809**	**33,154,732**	**60,760,105**	**1,052,734**	**109,419,380**
Accrued construction costs	**10,704,790**	–	–	–	**10,704,790**
Other payables	**6,816,833**	–	–	–	**6,816,833**
Amounts due to non-controlling interests of subsidiaries	**836,019**	–	–	–	**836,019**
Total	**32,809,451**	**33,154,732**	**60,760,105**	**1,052,734**	**127,777,022**
Financial guarantees issued: Maximum amount guaranteed (note 36)	**21,843,192**	–	–	–	**21,843,192**

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2015					
Borrowings	36,894,522	5,069,412	37,889,109	2,679,045	82,532,088
Accrued construction costs	14,591,720	–	–	–	14,591,720
Other payables	5,287,570	–	–	–	5,287,570
Amounts due to non-controlling interests of subsidiaries	672,405	–	–	–	672,405
Total	57,446,217	5,069,412	37,889,109	2,679,045	103,083,783
Financial guarantees issued: Maximum amount guaranteed (note 36)	15,105,912	–	–	–	15,105,912

As disclosed in note 22(a) to the consolidated financial statements, the Group was technically in breach of certain restrictive covenants during the year ended 31 December 2015. Given that the Group's creditors have the unconditional right to require the Group to repay these borrowings at any time in the events of default and potential default for the purpose of the above maturity profile, these amounts were classified under "On demand or within 1 year".

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optional capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings (note 22) less cash and cash equivalents, bank deposits and restricted cash (note 19) and equity attributable to equity holders of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and cash equivalents, bank deposits and restricted cash. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios of the Group at 31 December 2016 and 2015 were as follows:

	2016 RMB'000	2015 RMB'000
Total borrowings (note 22)	**87,536,816**	72,118,169
Less: Cash and cash equivalents, bank deposits (note 19) and restricted cash (note 19)	**(16,572,631)**	(3,309,402)
Net debt	**70,964,185**	68,808,767
Total equity	**23,046,399**	13,199,645
Gearing ratio	**307.92%**	521.29%

The gearing ratio for 2016 was lower than that for 2015 as a result of the increase in non-controlling interests as a result of acquisitions during the year.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's current financial assets including debtors, deposits and other receivables, restricted cash, short-term bank deposits, unlisted available-for-sale investments and cash and cash equivalents, the Group's non-current financial assets including available-for-sale financial assets, and the Group's current financial liabilities including current borrowings, accrued construction costs, other payables and amounts due to non-controlling interests of subsidiaries approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The following table presents the Group's financial assets/(liabilities) that are measured at fair value at 31 December 2016 and 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2016				
Assets				
Available-for-sale financial assets	**1,104**	**–**	**–**	**1,104**
Liabilities				
Financial derivatives	**–**	**–**	**(263,822)**	**(263,822)**
As at 31 December 2015				
Assets				
Available-for-sale financial assets	–	10,000	–	10,000

There were no transfers between level 1, 2 and 3 during the year.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use-of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(iii) Financial instruments in level 3

Information about level 3 financial derivatives' fair value measurements

The reconciliation of the carrying amounts of the Group's financial derivatives within level 3 of the fair value hierarchy is as follows:

	2016 RMB'000	2015 RMB'000
Additions	**285,322**	–
Change in fair value	**(21,500)**	–
Fair value at 31 December	**263,822**	–

The fair value of financial derivatives are determined by using the Binominal option pricing model. The valuation techniques and significant unobservable inputs of the financial derivatives are as follows:

Valuation techniques	**Significant unobservable inputs**	**Sensitivity relationship of unobservable inputs to fair value**
Binominal option pricing model		
– Contingent value rights ("CVRs")	Volatility of 45.51% (2015: nil)	The higher of the volatility, the higher of the fair value, and vice versa
	Risk free rate of 1.62% (2015: nil)	The higher of the risk free rate, the higher of the fair value, and vice versa
– Derivative component of MEBs	Volatility of 45.62% (2015: nil)	The higher of the volatility, the higher of the fair value, and vice versa
	Risk free rate of 1.29% (2015: nil)	The higher of the risk free rate, the higher of the fair value, and vice versa

Since one or more of the significant inputs are not based on observable market data, the fair value measurement of these instruments are categorised as level 3. For disclosures of fair value measurement of the Group's investment properties, details are disclosed in note 7 to the consolidated financial statements.

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangement and similar agreements during the years ended 31 December 2016 and 2015.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair value recognised in the consolidated statement of profit or loss. It obtains independent valuations at least annually. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's portfolio of properties are set out in note 7 to the consolidated financial statements.

As at 31 December 2016, the aggregate fair value of the Group's investment properties amounted to RMB30,690,680,000 (2015: RMB20,738,703,000) based on the valuation performed by independent professional valuers.

4.2 Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2016, based on management's best estimates, the Group has made a provision of RMB1,931,814,000 (2015: RMB1,788,030,000) for properties under development and completed properties held for sale.

4.3 Prepayments for proposed development projects and deposits for land acquisitions for sale

The Group assesses the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2016, the carrying amounts of prepayments for proposed development projects and deposits for land acquisitions are RMB13,620,415,000 (2015: RMB10,566,950,000) and RMB17,693,750,000 (2015: RMB4,002,386,000) respectively.

4.4 Impairment of property and equipment and land use rights

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its fair value less cost of disposal or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

As at 31 December 2016, based on management's best estimates, the Group has made a provision of RMB164,452,000 (2015: RMB164,452,000) for property and equipment and land use rights.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.5 Income taxes, land appreciation taxes, withholding taxes and deferred income taxes

Significant judgement is required in determining the provision for income taxes and withholding taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain of its land appreciation taxes calculation and payments with any local tax authorities in the PRC for most of its property development projects. Accordingly, significant judgement is required in determining the amount of the land appreciation tax and its related taxes. The Group recognises these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expenses and tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred income tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liabilities would have been increased by the same amount of approximately RMB848,362,000 (2015: RMB395,080,000).

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4.6 Intangible assets – contracts with various sports players

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

The life of the intangible assets ranges from 1 to 4 years based on the respective sports players' contract. These are reviewed annually on a player by player basis to determine whether there are indicators of impairment. Determining whether the intangible asset should be impaired at the end of the reporting period, factors such as whether the sports player will remain an active member of the playing squad and an assessment of the league that the football team will be playing in, will be taken into account.

As at 31 December 2016, the carrying amount of the intangible asset is RMB96,019,000 (2015: Nil).

4.7 Fair value of derivative financial instruments

As described in note 22 to the consolidated financial statements, the derivative component of MEBs and CVRs are measured at fair value. The Group engaged an independent valuer to determine the fair values of these derivative financial instruments. The determination was based on generally accepted valuation procedures and practices that rely extensively on numerous assumptions taking into consideration of many uncertainties, including risk free interest rate, discount rate and volatility of the Group's share price, some of which cannot be easily quantified or ascertained. Changes in subjective input assumptions can materially affect the fair value estimate.

As at 31 December 2016, the fair value of derivative financial instruments is RMB263,822,000 (2015: nil).

5. SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Company. The executive directors reviewed the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Fair value of financial derivatives, corporate and other unallocated expenses, gain on extinguishment of financial liabilities, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of sales of properties, rental income, property management services, hotel and catering operations and cinema, department store and cultural centre operations and regarded these being the reportable segments. Other segments primarily relate to other businesses in the PRC with similar risks and returns.

Revenue for the year consists of sales of properties, rental income, property management services, hotel and catering operations, cinema, department store an cultural centre operations and other businesses mainly include hire income from charter and passenger transportation agency service income.

	2016 RMB'000	2015 RMB'000
Sales of properties		
– Completed properties held for sale	**16,739,010**	10,230,515
– Properties under development/held for sale and proposed development projects	**–**	61,380
Rental income	**228,054**	232,180
Property management services	**271,622**	224,089
Hotel and catering operations	**81,967**	67,274
Cinema, department store and cultural centre operations	**253,270**	111,097
Others	**197,594**	–
	17,771,517	10,926,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2016 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Others RMB'000	Total RMB'000
Revenue	16,739,010	242,829	524,384	88,702	257,905	197,594	18,050,424
Less: inter-segment revenue	–	(14,775)	(252,762)	(6,735)	(4,635)	–	(278,907)
Revenue from external customers	16,739,010	228,054	271,622	81,967	253,270	197,594	17,771,517
Segment results before changes in fair value of investment properties and share of results of associates and joint ventures	(867,614)	126,243	104,537	(37,746)	(68,146)	115,222	(627,504)
Share of results of associates and joint ventures (note 10)	(40,578)	–	–	–	–	8,223	(32,355)
Changes in fair value of investment properties (note 7)	–	4,161,371	–	–	–	–	4,161,371
Segment results	(908,192)	4,287,614	104,537	(37,746)	(68,146)	123,445	3,501,512
Changes in fair value of financial derivatives							(21,500)
Corporate and other unallocated expenses							(208,994)
Finance income							39,236
Finance costs							(2,159,602)
Finance costs – net (note 29)							(2,120,366)
Gain on extinguishment of financial liabilities							716,143
Profit before income tax							1,866,795
Income tax expenses (note 32)							(2,214,306)
Loss for the year							(347,511)

5. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:								
Depreciation (note 6)	45,085	3,740	3,116	4,841	10,838	1,117	32,632	101,369
Amortisation of land use rights (note 8)	2,160	–	–	1,808	2,318	–	–	6,286
Amortisation of intangible assets (note 9)	–	–	–	–	85,796	–	–	85,796
Write-down of completed properties held for sale and properties under development (note 27)	670,615	–	–	–	–	–	–	670,615

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	267,711,662	17,032,340	3,400,867	2,650,132	68,056,017	25,309,894	(219,260,410)	164,900,502
Unallocated								921,465
Total assets								165,821,967
Segment liabilities	174,256,468	5,601,559	1,595,338	1,868,984	29,757,713	10,177,772	(176,926,797)	46,331,037
Unallocated								96,444,531
Total liabilities								142,775,568
Other information:								
Capital expenditure (notes 6, 7 and 8)	4,671	3,404,525	2,101	3,696	25,976	6,522	–	3,447,491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2015 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Total RMB'000
Revenue	10,291,895	244,450	450,106	71,403	113,251	11,171,105
Less: inter-segment revenue	–	(12,270)	(226,017)	(4,129)	(2,154)	(244,570)
Revenue from external customers	10,291,895	232,180	224,089	67,274	111,097	10,926,535
Segment results before changes in fair value of investment properties and share of results of associates	(1,479,395)	68,028	37,296	(69,933)	9,004	(1,435,000)
Share of results of associates (note 10a)	(3,586)	–	–	–	–	(3,586)
Changes in fair value of investment properties (note 7)	–	3,824,520	–	–	–	3,824,520
Segment results	(1,482,981)	3,892,548	37,296	(69,933)	9,004	2,385,934
Changes in fair value of financial derivatives						(42,219)
Corporate and other unallocated expenses						(63,550)
Finance income						10,717
Finance costs						(2,117,161)
Finance costs – net (note 29)						(2,106,444)
Profit before income tax						173,721
Income tax expenses (note 32)						(1,428,205)
Loss for the year						(1,254,484)

5. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Unallocated RMB'000	Total RMB'000
Other information:							
Depreciation (note 6)	47,066	6,142	7,627	33,436	9,954	616	104,841
Amortisation of land use rights (note 8)	680	–	–	2,195	3,411	–	6,286
Write-down of completed properties held for sale and properties under development (note 27)	240,276	–	–	–	–	–	240,276

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	230,715,816	15,261,027	2,202,259	2,402,689	404,888	(123,780,368)	127,206,311
Unallocated							340,364
Total assets							127,546,675
Segment liabilities	151,056,825	2,167,609	1,568,503	1,457,390	319,788	(121,498,966)	35,071,149
Unallocated							79,275,881
Total liabilities							114,347,030
Other information:							
Capital expenditure (notes 6, 7 and 8)	17,570	661,649	1,236	2,074	1,289	–	683,818

5. SEGMENT INFORMATION (Continued)

No material revenues are derived from any single external customer (2015: none).

As at 31 December 2016, segment assets of property development segment and others segment included the investment in associates accounted for using the equity method totalling approximately RMB777,220,000 and RMB553,901,000 (2015: RMB783,175,000 and nil) respectively. In addition, the segment assets of property development segment included the investments in joint ventures of RMB931,751,000 (2015: nil) accounted for using the equity method.

Segment assets consist primarily of property and equipment, investment properties, investments in joint ventures, investments in associates, goodwill and intangible assets, land use right, properties under development, completed properties held for sale, debtors, deposits and other receivables, deposits for land acquisition, prepayments for proposed development projects, restricted cash, short-term bank deposits, long-term bank deposits and cash and cash equivalents. They exclude available-for-sale financial assets, deferred income tax assets and prepaid taxes.

Segment liabilities consist primarily of advance proceeds received from customers and deposits received, accrued construction costs, operating borrowings, other payables and amounts due to non-controlling interests of subsidiaries. They exclude deferred income tax liabilities, financial derivatives, income tax payable and corporate borrowings.

6. PROPERTY AND EQUIPMENT

	Hotel properties RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
At 1 January 2015					
Cost	434,973	378,916	78,269	356,698	1,248,856
Accumulated depreciation and impairment	(51,476)	(107,339)	(46,403)	(195,459)	(400,677)
Net carrying amounts	383,497	271,577	31,866	161,239	848,179
Year ended 31 December 2015					
Opening net carrying amounts	383,497	271,577	31,866	161,239	848,179
Additions	–	–	3,393	22,402	25,795
Disposals	–	–	(8,477)	(485)	(8,962)
Depreciation (note 5, 28)	(17,382)	(14,936)	(7,856)	(64,667)	(104,841)
Closing net carrying amounts	366,115	256,641	18,926	118,489	760,171
At 31 December 2015					
Cost	434,973	378,916	61,085	374,681	1,249,655
Accumulated depreciation and impairment	(68,858)	(122,275)	(42,159)	(256,192)	(489,484)
Net carrying amounts	366,115	256,641	18,926	118,489	760,171

6. PROPERTY AND EQUIPMENT (Continued)

	Hotel properties RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2016							
Opening net carrying amounts	366,115	256,641	18,926	118,489	–	–	760,171
Additions	–	–	5,829	43,999	56,261	–	106,089
Acquisitions of subsidiaries (note 38)	–	33,354	8,647	14,651	209,620	56,694	322,966
Disposals	–	–	(171)	(622)	–	–	(793)
Depreciation (note 5, 28)	(17,381)	(14,405)	(8,452)	(61,131)	–	–	(101,369)
Closing net carrying amounts	348,734	275,590	24,779	115,386	265,881	56,694	1,087,064
At 31 December 2016							
Cost	434,973	412,270	73,374	430,558	265,881	56,694	1,673,750
Accumulated depreciation and impairment	(86,239)	(136,680)	(48,595)	(315,172)	–	–	(586,686)
Net carrying amounts	348,734	275,590	24,779	115,386	265,881	56,694	1,087,064

As at 31 December 2016, the Group's certain hotel properties and buildings with net carrying amounts of approximately RMB344,139,000 (2015: RMB324,438,000) were pledged as collateral for the Group's borrowings (note 22).

As at 31 December 2015, certain property and equipment with the aggregate carrying amount of approximately RMB229,237,000 were partially restricted. As at 31 December 2016, the restrictions on these property and equipment have been fully released.

Depreciation of RMB101,369,000 (2015: RMB104,841,000) has been charged in administrative expenses during the year.

There was no impairment loss provided for the years ended 31 December 2016 and 2015.

7. INVESTMENT PROPERTIES

	Under construction RMB'000	Completed RMB'000	Total RMB'000
At 1 January 2015	10,777,003	5,479,157	16,256,160
Additions	658,023	–	658,023
Transfer upon completion	(1,578,200)	1,578,200	–
Increase in fair value (note 5)	2,934,238	890,282	3,824,520
At 31 December 2015 and 1 January 2016	**12,791,064**	**7,947,639**	**20,738,703**
Additions	**3,334,880**	**–**	**3,334,880**
Transfer from completed properties held for sale	**–**	**12,971**	**12,971**
Transfer from deposits for land acquisition	**2,481,508**	**–**	**2,481,508**
Disposals	**–**	**(38,753)**	**(38,753)**
Increase in fair value (note 5)	**2,675,558**	**1,485,813**	**4,161,371**
At 31 December 2016	**21,283,010**	**9,407,670**	**30,690,680**

The following amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties:

	2016 RMB'000	2015 RMB'000
Rental income	**193,528**	193,328
Direct operating expenses arising from investment properties that generate rental income	**17,650**	24,129

Valuation processes of the Group

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least annually. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and to the audit committee. Discussions of valuation processes and results are held between the management, audit committee and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

7. INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group (Continued)

At each financial year end, the finance department:

- Verifies major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' estimates of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of commercial properties under development are generally derived using the combination of direct comparison method by making reference to the comparable market transactions for the land portion as available in the market and the income capitalisation method by capitalising market rent derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

There were no changes to the valuation techniques during the year.

Significant inputs used to determine fair value

As at 31 December 2016, the key assumptions adopted in determining the fair value of the Group's investment properties were as follows:

	2016	2015
Capitalisation rate	**3.0%-5.5%**	3.0%-6.5%
Discount rate	**4.75%**	4.75%
Expected vacancy rate	**0.0%-10.0%**	0.0%-10.0%
Monthly rental (RMB/sqm/month)	**44-551**	57-540
Budgeted construction cost (RMB/sqm)	**4,907-8,977**	5,477-7,839
Anticipated developer's profit margin	**5.0%-25.0%**	5.0%-20.0%

Capitalisation and discount rates are estimated by the valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents per square meter are estimated based on recent lettings of the subject properties and other comparable properties. The lower the rents, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENT PROPERTIES (Continued)

Valuation techniques (Continued)

Estimated costs to complete per square meter and developer's profit margin required are estimated by the valuer based on market conditions at the year end dates. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs, the lower the fair value.

As at 31 December 2016 and 2015, the fair value measurement of the Group's investment properties are categorised at level 3. During the years ended 31 December 2016 and 2015, there were no transfer into or out of level 3.

The Group's investment properties are analysed as follows:

	2016 RMB'000	2015 RMB'000
In the PRC, held on:		
Leases of between 10 to 50 years	**30,673,480**	20,738,703
Leases of over 50 years	**17,200**	–
	30,690,680	20,738,703

As at 31 December 2016, the investment properties with fair value totaling RMB13,758,986,000 (2015: RMB11,709,238,000) were pledged as collateral for the Group's borrowings (note 22).

As at 31 December 2015, certain investment properties with the aggregate carrying amount of approximately RMB480,729,000 were partially restricted. As at 31 December 2016, the restrictions on these properties have been fully released.

8. LAND USE RIGHTS

	2016 RMB'000	2015 RMB'000
At 1 January	**162,942**	169,228
Additions	**6,522**	–
Amortisation – expensed in administrative expenses (note 5, 28)	**(6,286)**	(6,286)
At 31 December	**163,178**	162,942
In PRC, held on:		
Leases of over 50 years	**24,488**	27,018
Leases of between 10-50 years	**138,690**	135,924
As 31 December	**163,178**	162,942

As at 31 December 2016, land use rights with net carrying amounts totaling RMB52,471,000 (2015: RMB52,162,000) were pledged as collateral for the Group's borrowings (note 22).

9. GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000 (note a)	Contracts with sports players RMB'000 (note b)	Total RMB'000
Cost			
At 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–
Acquisitions of subsidiaries (note 38)	**121,779**	**107,437**	**229,216**
Additions	–	**74,378**	**74,378**
At 31 December 2016	**121,779**	**181,815**	**303,594**
Accumulated amortisation			
At 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–
Amortisation – expensed in administrative expenses (note 5, 28)	–	**(85,796)**	**(85,796)**
At 31 December 2016	–	**(85,796)**	**(85,796)**
Net carrying amounts			
At 31 December 2016	**121,779**	**96,019**	**217,798**
At 31 December 2015	–	–	–

Note:

(a) The Group's goodwill arose from business combinations in 2016 in connection with the acquisition of (i) Shanghai Yitao Sports Culture Communication Co. Ltd and its subsidiary (collectively referred to as the "Shanghai Yitao Group") and (ii) Shenzhen Football Club Co. Ltd ("Shenzhen Football Club").

For the purpose of impairment testing, goodwill has been allocated to two cash-generating units ("CGUs") of RMB121,493,000 in sports operations and of RMB286,000 in entertainment operations.

The recoverable amounts of the CGUs are determined by directors of the Company based on value-in-use calculations. These calculations use in cash flow projections in relation to the CGU of sports operations based on financial budgets approved by management covering a 10-year period and assumed the growth rate and inflation rate of 8% per annum and 3% per annum respectively. The cash flow discounted using a pre-tax discount rate of 12.68% and reflects specifics risks relating to the relevant segments. The financial budgets are prepared based on 10-year business plan which is appropriate after considering the sustainability of business growth and achievement of business target extrapolated from a track record of financial results. The value assigned to the key assumptions on market development and discount rates are consistent with external information sources. As at 31 December 2016, the directors of the Company conducted a review on goodwill and no impairment loss in respect of goodwill has been recognised (2015: RMB Nil).

(b) The amounts represent the costs to acquire sports players' contracts or to extend their contracts, including the related agent's fees. The amortisation period ranged from 1 to 4 years.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in associates

	2016 RMB'000	2015 RMB'000
At 1 January	**783,175**	778,461
Acquisition of subsidiaries (note 38(a))	**8,913**	–
Additions	**579,611**	8,300
Share of results of associates	**(40,578)**	(3,586)
At 31 December	**1,331,121**	783,175

During the year ended 31 December 2016, the Group acquired 21.72% equity interest in Mega Medical Technology Limited ("Mega") and other individually immaterial associates for cash consideration of RMB348,415,000 and RMB231,196,000 respectively.

Set out below are details of the associates of the Group as at 31 December 2016 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of establishment	Proportion of issued capital/interest held by the Group	Principal activity
Mega	the PRC/Bermuda	21.72% (2015: Nil)	Investment holding, manufacturing and trading of electronic components and dental prosthetics
Xing Huo Ju Long Technology Investment Co., Ltd.* ("Xing Huo") 星火巨龍科技投資有限公司(「星火」)	the PRC	49% (2015: 49%)	Property investment

* The English translation of the name of the Company established in the PRC is for reference only. The official name of this company is in Chinese.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

As at 31 December 2016, the fair value of the Group's investment in an associate, Mega, of which the shares are listed on the Stock Exchange of Hong Kong was RMB327,045,000 (2015: nil) based on the market prices available on the Stock Exchange of Hong Kong, which is level 1 input in terms of HKFRS 13 "Fair value measurement".

Xing Huo is a private company.

There are no contingent liabilities relating to the Group's interests in the associates.

Summarised financial information in respect of the Group's material associates accounted for using equity method, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	Mega	Xing Huo	
	2016	2016	2015
	RMB'000	RMB'000	RMB'000
Current assets	158,420	1,504,516	1,504,679
Non-current assets	366,132	235,208	235,925
Current liabilities	(64,968)	(196,767)	(197,738)
Non-current liabilities	(6,518)	–	–
Net assets	453,066	1,542,957	1,542,866

Summarised financial information for the associates

Summarised statement of profit or loss and other comprehensive income of the Group's material associates:

	Mega	Xing Huo	
	2016	2016	2015
	RMB'000	RMB'000	RMB'000
Revenue	25,114	–	–
Loss for the year from continuing operation	(7,990)	–	–
Loss for the year/since acquisition	(24,984)	(377)	(1,205)
Other comprehensive loss for the year/since acquisition	(9,531)	–	–
Total comprehensive loss for the year/since acquisition	(34,515)	(377)	(1,205)

The information above reflects the amounts presented in the consolidated financial statements of the Group's material associates adjusted for differences in accounting policies between the Group and the associates.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

Summarised financial information for the associates (Continued)

Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount of each of the investments in the Group's material associates recognised in the consolidated financial statements:

	Mega	**Xing Huo**	
	2016	**2016**	2015
	RMB'000	**RMB'000**	RMB'000
Net assets of the Group's material associates	**453,066**	**1,542,957**	1,542,866
Portion of ownership interests held by the Group	**21.72%**	**49%**	49%
Carrying amount of the Group's interests in material associates	**98,406**	**756,049**	756,004
Goodwill	**283,399**	**–**	–
Carrying amount of the Group's interests in material associates	**381,805**	**756,049**	756,004

Set out below are the aggregate financial information of associates that are not individually material:

	2016	2015
	RMB'000	RMB'000
The Group's share of losses for the year	**(32,897)**	(2,996)
Aggregate carrying amounts of the Group's interests in these associates	**193,267**	27,171

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures

	2016 RMB'000
Additions	**923,528**
Share of results of joint ventures	**8,223**
At 31 December	**931,751**

For the year ended 31 December 2016, the Group entered into agreements with third parties to acquire an immaterial joint venture amounting to RMB800,000 and 51% equity interest in a jointly control company, Kailejiu, a company that holds a parcel of land for property development in the PRC, for a cash consideration of RMB922,728,000. The purpose of the acquisition was mainly for acquiring the land. The Group exercises joint control over decision about the relevant activities of Kailejiu, which require unanimous consent with the joint venture partner in accordance with joint venture agreement, Kailejiu has been accounted for as joint venture.

Set out below are details of Kaileju as at 31 December 2016 which, in the opinion of the directors, is material to the Group.

Name of entity	Place of business/country of establishment	Proportion of the issued capital/interest held by the Group	Principal activity
Huizhou City Kaileju Company Limited* ("Kaileju") 惠州市愷樂居置業有限公司	the PRC	51% (2015: nil)	Property development

* The English translation of the name of the Company established in the PRC is for reference only. The official name of the company is in Chinese.

Kaileju is a private company.

There are no contingent liabilities relating to the Group's interests in the joint venture.

Summarised financial information of the Group's material joint venture, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	2016 RMB'000
Current assets	**2,408,625**
Non-current assets	**2**
Current liabilities	**(600,034)**
Net assets	**1,808,593**

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

Summarised statement of profit or loss and other comprehensive income of the material joint venture:

	2016 RMB'000
Total expenses, loss for the year and total comprehensive loss for the year since acquisition	**(678)**

Reconciliation of summarised financial information

Reconciliation of the summarised financial information reconciled to the carrying amount of its investment in the Group's material joint venture recognised in the consolidated financial statements.

	2016 RMB'000
Net assets of the Group's material joint venture	**1,808,593**
Carrying amount of the Group's interests in the material joint venture	**922,382**

Set out below are the aggregate financial information of joint venture that is not individually material:

	2016 RMB'000
The Group's share of profit for the year	**8,569**
Carrying amount of the Group's interest in this joint venture	**9,369**

11. PROPERTIES UNDER DEVELOPMENT

	2016 RMB'000	2015 RMB'000
Amount comprises:		
Construction costs	**17,269,019**	17,321,518
Interest capitalised	**10,287,223**	9,356,596
Land use rights	**33,571,451**	38,250,878
	61,127,693	64,928,992
Less: Provision for properties under development	**(567,854)**	(1,067,257)
	60,559,839	63,861,735

The properties under development are all located in the PRC.

For the year ended 31 December 2016, the provision of properties under development of RMB190,253,000 was reversed to reflect the increase in net realisable value of certain properties under development. For the year ended 31 December 2015, provision of properties under development of RMB11,998,000 was made to reflect the decrease in net realisable value of certain properties under development located in certain regions of the PRC.

During the year ended 31 December 2016, the provision for properties under development of RMB309,150,000 (2015: RMB68,627,000) in aggregate were transferred to the provision for completed properties held for sale.

As at 31 December 2016, the net aggregate amount of properties under development of approximately RMB40,017,551,000 (2015: RMB42,234,238,000) were pledged as collateral for the Group's borrowings (note 22).

As at 31 December 2016, certain properties under development with the aggregate carrying amounts of approximately RMB502,793,000 (2015: RMB11,832,654,000) were partially restricted. As at the date when the consolidated financial statements are authorised for issue, the restrictions on these properties with the aggregate carrying amount of approximately RMB494,453,000 has not been released.

12. COMPLETED PROPERTIES HELD FOR SALE

	2016 **RMB'000**	2015 RMB'000
Completed properties held for sale	**17,610,193**	18,383,785
Less: Provision for completed properties held for sale	**(1,363,960)**	(720,773)
	16,246,233	17,663,012

Completed properties held for sale are all located in the PRC.

For the year ended 31 December 2016, completed properties held for sale of RMB860,868,000 (2015: RMB228,278,000) were impaired to reflect the decrease in net realisable value of certain completed properties located in certain regions of the PRC. In addition, the provision for completed properties held for sale of RMB309,150,000 (2015: RMB68,627,000) in aggregate were transferred from the provision for properties under development during the year ended 31 December 2016.

As at 31 December 2016 and 2015, the aggregate carrying amount of completed properties held for sale of approximately RMB5,760,042,000 (2015: RMB2,293,416,000) were pledged as collateral for the Group's bank borrowings (note 22).

As at 31 December 2016, certain completed properties held for sale with the aggregate carrying amount of approximately RMB208,414,000 (2015: RMB1,190,296,000) were partially restricted. As at the date when the consolidated financial statements are authorised for issue, the restrictions on these properties with the aggregate carrying amount of approximately RMB146,257,000 has not been released.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	2016 RMB'000	2015 RMB'000
At 1 January	**10,000**	56,823
Acquisitions of subsidiaries (note 38 (a))	**96,903**	–
Additions	**274,686**	–
Disposals	**(213,667)**	(46,823)
Net gain recognised in other comprehensive income	**(280)**	–
At 31 December (note 40)	**167,642**	10,000
Less: non-current portion	**(154,538)**	–
Current portion	**13,104**	10,000

Available-for-sale financial assets include the following:

	2016 RMB'000	2015 RMB'000
Listed equity investments, at fair value	**1,104**	–
Unlisted equity investments, at cost	**166,538**	10,000
	167,642	10,000

Unlisted investments as at 31 December 2016 represented the followings:

(i) approximately 20% equity interest in Shenzhen Gengxin Management Partnership (Limited Partnership)* ("Shenzhen Gengxin"), a partnership in the PRC. Shenzhen Gengxin has a registered capital of RMB50 million;

(ii) 8% equity interest in Yue Peng LNG Shipping Co. Limited ("Yue Peng") and Yue Gang LNG Shipping Co. Limited ("Yue Gang"), companies in the PRC. Yue Peng and Yue Gang have registered capital of USD40.2 million and USD40.9 million respectively;

(iii) approximately 16% equity interest in Yue Yang LNG Shipping Co. Limited ("Yue Yang"), a company in the PRC. Yue Yang has a registered capital of UDS39.8 million;

(iv) 2% equity interest in Zhong Chang Sheng Fund Management Company Limited* ("Zhong Chang Sheng"), a company in the PRC. Zhong Chang Sheng has a registered capital of RMB100 million; and

(v) 20% equity interest in Shenzhen He Chuang Fu Investment Company Limited*, a company in the PRC.

* The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Unlisted investments as at 31 December 2015 represented approximately 20% equity interest in Shenzhen Gengxin.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of these unlisted investments as at 31 December 2016 and 31 December 2015.

The unlisted investments are measured at cost less impairment at the reporting date as the range of fair values is so significant that the directors of the Company are of the opinion that the fair values cannot be measured reliably.

14. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	2016 **RMB'000**	2015 RMB'000
Trade receivables (note a)	**328,002**	625,756
Other receivables (note b)	**1,268,750**	1,841,949
Other deposits	**612,242**	349,360
Prepayments (note c)	**1,432,918**	1,978,988
Prepaid other taxes	**1,144,740**	561,782
Amount due from an associate (note d)	**400,000**	–
Amount due from a joint venture (note e)	**599,390**	–
	5,786,042	5,357,835

As at 31 December 2016 and 2015, the carrying amounts of debtors, deposits and other receivables approximates their fair values.

(a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables as at the respective reporting dates is as follows:

	2016 **RMB'000**	2015 RMB'000
Within 90 days	**250,634**	186,102
91-180 days	**–**	7
181-270 days	**7,825**	98
271-365 days	**6**	187
Over 365 days	**69,537**	439,362
	328,002	625,756

Included in the Group's trade receivables balances of nil and RMB6,130,000 as at 31 December 2016 and 2015, respectively, were not yet due. The balances represented receivables from sales of commercial and residential properties, properties under development/held for sale and proposed development projects from independent third parties. These receivables were repayable within one year after the completion of certain legal documents, which were expected to be settled in the next year.

14. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) (Continued)

Ageing of trade receivables which were past due but not impaired:

	2016 RMB'000	2015 RMB'000
Overdue within 90 days	**250,634**	179,972
Overdue within 91-180 days	**–**	7
Overdue within 181-270 days	**7,825**	98
Overdue within 271-365 days	**6**	187
Overdue over 365 days	**69,537**	439,362
	328,002	619,626

Receivables that were past due but not impaired related to the balances primarily represented receivables from sales of residential properties to independent third parties of which the majority of the balances were due from customers in the process of applying mortgage loans. Generally, no credit terms were granted to these customers. These relate to a number of independent customers for whom there was no recent history of default.

Up to the date when these consolidated financial statements are authorised for issue, the amounts of RMB100,590,000 and RMB552,610,000 of the trade receivables as at 31 December 2016 and 2015 have been settled, respectively.

(b) These receivables mainly included bills receivables, amounts to be refunded by the government in relation to the land acquisition in the PRC and advances to third parties, which are interest-free, unsecured and repayable on demand, and expected to be recovered within 12 months from the end of the reporting period and are therefore classified as current assets.

(c) Prepayments mainly represent prepayments for purchase of construction materials and services.

(d) The amount is unsecured, carry at interest rate of 12% p.a. and repayable in 2017.

(e) The amount is unsecured, interest-free and repayable on demand, and expected to be recovered within 12 months from the end of the reporting period and is therefore classified as current asset.

(f) The maximum credit risk exposure is the amount shown on the consolidated statement of financial position.

(g) The carrying amounts of the Group's receivables are mainly denominated in Renminbi.

15. DEPOSITS FOR LAND ACQUISITION

Deposits for land acquisition arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained. The carrying amounts of the Group's deposits for land acquisition are mainly denominated in Renminbi. Details of the acquisition of deposits for land acquisition as disclosed in note 38(a) to the consolidated financial statements.

As at 31 December 2016, certain land deposits with the aggregate carrying amounts of approximately RMB2,922,000 (2015: RMB2,763,183,000) were partially restricted. As at the date of when the consolidated financial statements are authorised for issue, the restrictions on these properties have been fully released. Please also see note 38(a) regarding certain land deposits.

16. PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contractual arrangements relating to redevelopment of certain areas and other development projects with independent third parties and has made prepayments in accordance with the terms of these respective contracts. These prepayments would be converted into properties under development upon the completion of the contracts.

17. FINANCIAL DERIVATIVES

	2016 Assets RMB'000	**2016 Liabilities RMB'000**	2015 Assets RMB'000	2015 Liabilities RMB'000
Measured at fair value at each reporting date and included in the consolidated statement of financial position as liabilities:				
Derivative component of MEBs	**–**	**(229,790)**	–	–
CVRs (note 22(a))	**–**	**(34,032)**	–	–
	–	**(263,822)**	–	–

18. RESTRICTED CASH

Restricted cash mainly comprised of:

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain subsidiaries of the Group engaged in property development are required to place in designated bank accounts certain amount of proceeds from pre-completion sale of properties as guaranteed deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and construction of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2016, such guaranteed deposits amounted to RMB2,857,189,000 (2015: RMB695,272,000). They will be released after the construction of the relevant properties is completed or the related property ownership certificates are issued, whichever is earlier.

(b) As at 31 December 2016, the Group's cash of RMB2,827,957,000 (2015: RMB257,717,000) was deposited in certain banks as guaranteed deposits for the benefit of mortgage loan facilities (note 36) granted by the banks to the purchasers of the Group's properties.

(c) As at 31 December 2016, the Group's cash of RMB11,451,000 (2015: RMB16,414,000) was deposited in certain banks as guaranteed deposits for issuance of bills payables.

19. RESTRICTED CASH, BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Restricted cash (note 18)	**5,696,597**	969,403
Long-term bank deposits	–	1,479
Short-term bank deposits	**56,917**	13,974
Cash and cash equivalents	**10,819,117**	2,324,546
Cash and bank balances	**16,572,631**	3,309,402

Note:

The effective interest rates and maturities of bank deposits in the PRC are ranged from 2.25% to 3.25% (2015: 2.5% to 5.23%) per annum and from 6 to 12 months (2015: 12 to 51 months) as at 31 December 2016.

Cash and bank balances are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
Denominated in – RMB	**16,484,602**	3,181,612
Denominated in – HKD	**68,817**	98,792
Denominated in – USD	**19,212**	28,998
	16,572,631	3,309,402
Less: Restricted cash (note 18)	**(5,696,597)**	(969,403)
Less: Long-term bank deposits	–	(1,479)
Less: Short-term bank deposits	**(56,917)**	(13,974)
Cash and cash equivalents	**10,819,117**	2,324,546

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary share of HK$0.10 each					
At 1 January 2015,					
31 December 2015, 1 January 2016					
and 31 December 2016	5,000,000,000	5,000,000	4,405,545	–	4,405,545
Issued and fully paid:					
At 1 January 2015,					
31 December 2015, 1 January 2016					
and 31 December 2016	5,135,427,910	513,543	450,450	4,253,704	4,704,154

21. THE GROUP'S RESERVES

	Merger reserve RMB'000 (note a)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note b)	Share option reserve RMB'000 (note c)	Capital reserve RMB'000	Other reserve RMB'000	Conversion option reserve RMB'000 (note 22(c))	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	382	24,835	758,043	105,166	(487,047)	–	220,824	9,336,614	9,958,817
Loss and total comprehensive loss for the year	–	–	–	–	–	–	–	(1,121,577)	(1,121,577)
Share-based payments (note c)	–	–	–	8,150	–	–	–	–	8,150
Share options lapsed	–	–	–	(57,988)	–	–	–	57,988	–
Transfer to statutory reserves (note b)	–	–	76,487	–	–	–	–	(76,487)	–
Balance at 31 December 2015 and 1 January 2016	382	24,835	834,530	55,328	(487,047)	–	220,824	8,196,538	8,845,390
Total comprehensive loss for the year	–	–	–	–	–	–	–	(612,590)	(612,590)
Share-based payments (note c)	–	–	–	5,881	–	–	–	–	5,881
Share options lapsed	–	–	–	(6,840)	–	–	–	6,840	–
Derecognition of conversion options included in the Convertible Bonds issued in 2010 (note 22(c))	–	–	–	–	–	–	(220,824)	220,824	–
Transfer to statutory reserves (note b)	–	–	79,068	–	–	–	–	(79,068)	–
Others	–	–	–	–	–	3,292	–	–	3,292
Balance at 31 December 2016	382	24,835	913,598	54,369	(487,047)	3,292	–	7,732,544	8,241,973

21. THE GROUP'S RESERVES (Continued)

Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 5% to 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate 10% of the net profit to the Statutory Reserves until the accumulated appropriation exceeds 50% of the registered capital.

For Chinese-foreign entities, in accordance with the Law of the PRC on Chinese-foreign Equity Joint Ventures, the percentage of profits to be appropriated to the Statutory Reserves is solely determined by the Board of Directors of these foreign investment enterprises.

In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the companies' articles of association, an appropriation to the Statutory Reserves, after net of accumulated losses of previous years, have to be made prior to profit distribution to the investor. The appropriation for the Statutory Reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

For the year ended 31 December 2016, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB79,068,000 (2015: RMB76,487,000) to the Statutory Reserves.

(c) Share option reserve represents value of employee services in respect of share options granted under the share option scheme (note 39).

22. BORROWINGS

	Notes	2016 RMB'000	2015 RMB'000
Borrowings included in non-current liabilities:			
New Senior Notes	(a)	**18,799,783**	–
MEBs	(a)	**1,453,020**	–
Bank borrowings – secured	(d)	**43,896,382**	24,998,806
Bank borrowings – unsecured	(d)	**3,454,040**	1,270,000
Other borrowings – secured	(d)	**10,931,290**	10,299,344
Other borrowings – unsecured	(d)	**1,240,000**	460,000
Loan from a related company	(e)	**–**	1,377,000
		79,774,515	38,405,150
Borrowings included in current liabilities:			
Senior Notes	(b)	**–**	16,098,577
Convertible Bonds	(c)	**–**	1,625,790
Bank borrowings – secured	(d)	**112,815**	4,515,156
Bank borrowings – unsecured	(d)	**2,643,664**	2,609,467
Other borrowings – secured	(d)	**300,000**	5,983,299
Other borrowings – unsecured	(d)	**1,828,822**	1,380,730
Loans from a related company	(e)	**2,877,000**	1,500,000
		7,762,301	33,713,019
Total borrowings		**87,536,816**	72,118,169

Notes:

(a) Debt restructuring

Onshore Debt Restructuring

On 17 August 2015, the Group entered into a framework agreement for the Onshore Debt Restructuring with the Onshore Creditors Committee which was formed by certain largest onshore creditors of the Group. The Onshore Creditors Committee was authorised to negotiate on behalf of all onshore creditors in respect of the Onshore Debt Restructuring. During 2015 and 2016, the Onshore Creditors entered into respective definitive agreements with the Group to restructure the outstanding debts or agreed that their outstanding debts being continued to be governed by their respective existing agreements. During the years ended 31 December 2015 and 2016, the Group has successfully restructured all of the onshore loans. The changes in terms did not constitute a substantial modification and the impact was insignificant.

22. BORROWINGS (Continued)

Notes: (Continued)

(a) Debt restructuring (Continued)

Offshore Debt Restructuring

On 21 July 2016, the Debt Restructuring (as defined in the Company's announcement dated 22 July 2016 (the "Announcement") was effected whereby the Group's offshore debts, including various senior notes, convertible bonds, bank and other borrowings (collectively and individually referred to as the "Original Offshore Debts") were exchanged for new notes, being mainly New Senior Notes and MEBs as described in the Announcement (collectively and individually referred to as the "New Offshore Debts").

For those exchanges with substantially different terms, the Original Offshore Debts were derecognised and the related New Offshore Debts were recognised at their fair values at the effective date. A gain of approximately RMB716,143,000 was recognised for the year ended 31 December 2016, representing the difference between the carrying amount of the related Original Offshore Debts derecognised and the fair value of the related New Offshore Debts recognised, net of the total related fees paid and transaction costs amounting to RMB58,329,000 and the consent fee of RMB54,423,000. The fair values of the New Senior Notes recognised at initial recognition were determined with reference to the valuation performed by Savills Valuation and Professional Services Limited. The fair values were calculated based on the present value of contractually determined stream of future cash flows discounted at the market borrowing rates as at the nearest date to the date of initial recognition, as of that date and remaining time to maturity.

For the remaining exchanges that did not constitute a substantial modification, the consent fees paid to the holders of the Original Offshore Debts amounting to RMB104,355,000 in aggregate and the transaction costs amounting to RMB43,381,000 attributable to the Existing Senior Notes not derecognised were adjusted against the carrying amounts of the related Original Offshore Debts and amortised over the remaining terms of the related New Offshore Debts.

The above mentioned offshore debt restructuring was completed on 21 July 2016 through the Company's proposed schemes of arrangement which had been respectively sanctioned by the Grand Court of the Cayman Islands and the High Court of Hong Kong. The United States Court had also granted the order to recognise the scheme sanctioned by the High Court of Hong Kong under Chapter 15 of Title 11 of the United States Code.

All of the Existing senior notes, convertible bonds and other offshore facilities were exchanged into the New Senior Notes, MEBs, and CVRs in accordance with the options selected by the holders of the Original Offshore Debts:

	Principal/Notional Amount (in US$)	Maturity date
MEBs [1]	259,486,248	31 December 2019
New Senior Notes [3] including:		
Series A Notes	277,460,905	31 December 2019
Series B Notes	499,429,957	30 June 2020
Series C Notes	610,414,552	31 December 2020
Series D Notes	665,906,865	30 June 2021
Series E Notes	721,398,993	31 December 2021
Total	3,034,097,520	
CVRs [2]	16,283,470	31 December 2021

1 The MEBs represent USD-denominated and USD-settled variable rate bonds due 31 December 2019 (at the option of the Company, can be extended by one year to 31 December 2020) which shall be mandatorily exchange into Exchangeable Convertible Bonds pursuant to the Automatic Exchange Transaction as defined in the Company's announcement on 17 March 2016. The MEBs contain a host debt element and an exchange right to the Exchangeable Convertible Bonds which is recognised separately as a derivative liability recognised at fair values at initial recognition and at each reporting date. The fair value of the derivative liability was measured using certain valuation techniques as described in note 3.3 to the consolidated financial statements. At the initial recognition on 21 July 2016 and at the reporting date, the fair value of the derivative was measured using binomial option pricing model.

2 It represents 232,621 contingent value rights with a notional amount of US$70 each that entitle the holders to the payment of US$14 for each CVR they hold upon occurance of certain triggering events as specified in the related agreements. Such CVRs are classified as derivative liabilities with details shown in note 17 to the consolidated financial statement.

22. BORROWINGS (Continued)

Notes: (Continued)

(a) Debt restructuring (Continued)

[3] Each series of the Senior Notes may be redeemed at any time before Maturity Date, in whole or in part, at a redemption price ranging from 100% to 102% (depending on when the notes are early redeemed) of the principal amount plus any accrued and unpaid interest. The directors of the Company consider that the fair value of the redemption options are insignificant on issue date and the reporting date, and are therefore not recognised.

The fair value of the host debt of the MEBs on initial recognition was determined by reference to the valuation performed by Savills Valuation and Professional Services Limited which was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield which was determined with reference to the market interest rate for an equivalent non-exchangeable bond and remaining time to maturity. The host debt is measured at amortised cost subsequently with the movements shown below:

	The host debt of the MEBs RMB'000
Fair value at initial recognition	1,324,519
Less: transaction costs	(14,957)
Carrying amount at initial recognition	1,309,562
Accrued interest (note 29)	79,405
Exchange difference	64,053
Carrying amount as at 31 December 2016	1,453,020

The fair value of the host debt of the MEBs amounted to RMB1,602,050,000 (2015: nil) as at 31 December 2016. The fair value is calculated using the market price of the MEBs on 31 December 2016.

The movement of the Existing Senior Notes and other facilities, and New Senior Notes is as follow:

	New Senior Notes RMB'000
At 1 January 2016	17,034,527
Accrued interests	1,648,193
Derecognition of certain Existing Senior Notes and other facilities	(5,030,137)
New Senior Notes recognised	4,480,668
Consent fee attributable to certain Existing Senior Notes and other facilities	(104,355)
Transaction costs	(43,381)
Exchange differences	814,268
At 31 December 2016	18,799,783

The fair value of the New Senior Notes amounted to RMB17,790,421,000 (2015: nil) as at 31 December 2016. The fair value is calculated using the market price of the New Senior Notes on 31 December 2016.

The New Senior Notes and MEBs are listed on the Singapore Exchange Securities Trading Limited.

The New Senior Notes and MEBs are secured by the pledge of shares of the Group's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Group.

22. BORROWINGS (Continued)

Notes: (Continued)

(b) Existing Senior Notes

The Senior Notes as at 31 December 2015 included:

	Senior Note 2012 RMB'000	Senior Note January 2013 RMB'000	Senior Note March 2013 RMB'000	Senior Note April 2013 RMB'000	Senior Note January 2014 RMB'000	Senior Note June 2014 RMB'000	Total RMB'000
Carrying amount as at 1 January 2015	1,551,031	3,158,810	3,411,597	1,806,777	1,550,421	2,411,572	13,890,208
Accrued interest (note 29)	213,312	326,297	343,349	127,471	117,372	229,790	1,357,591
Acceleration of unwinding interest (note 29)	36,746	53,270	41,389	17,021	19,123	53,342	220,891
Coupon payment	–	(156,887)	–	–	–	–	(156,887)
Exchange difference	105,141	198,860	223,927	–	100,062	158,784	786,774
Carrying amount as at 31 December 2015	1,906,230	3,580,350	4,020,262	1,951,269	1,786,978	2,853,488	16,098,577

On 18 September 2012, the Company issued additional 12.875% senior note due 2017 in an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,581,225,000) at 100% of face value (the "Senior Note 2012").

On 8 January 2013, the Company issued additional 10.25% senior note due 2020 in an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,142,750,000) at 100% of face value (the "Senior Note January 2013").

On 19 March 2013, the Company issued additional 8.875% senior note due 2018 in an aggregate principal amount of US$550,000,000 (equivalent to approximately RMB3,457,025,000) at 100% of face value (the "Senior Note March 2013").

On 22 April 2013, the Company issued additional 6.875% senior note due 2016 in an aggregate principal amount of RMB1,800,000,000 at 100% of face value (the "Senior Note April 2013").

On 13 January 2014, the Company issued additional US$250,000,000 (equivalent to approximately RMB1,524,225,000) at 101% of face value (the "Senior Note January 2014").

22. BORROWINGS (Continued)

Notes: (Continued)

(b) Existing Senior Notes (Continued)

On 6 June 2014, the Company issued 9% senior note due 2019 in an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,460,840,000) at 99% of face value (the "Senior Note June 2014").

Senior Note 2012, Senior Note January 2013, Senior Note March 2013, Senior Note April 2013, Senior Note January 2014 and Senior Note June 2014 are collectively referred to as the "Existing Senior Notes".

As described in note (a) above, on 21 July 2016, all Existing Senior Notes were exchanged into the New Senior Notes, MEBs and CVRs.

The Senior Notes are listed on the Singapore Exchange Securities Trading Limited for the year ended 31 December 2015 and up to 21 July 2016.

The fair value of the Existing Senior Notes amounted to RMB9,932,573,000 as at 31 December 2015. The fair value was calculated using the market price of the Existing Senior Notes on 31 December 2015.

The Senior Notes are secured by the pledge of shares of the Group's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Group as at 31 December 2015.

As at 31 December 2015, all Existing Senior Notes were due and immediately payable.

(c) Convertible Bonds

On 20 December 2010, the Company issued RMB denominated US$ settled 8.0% convertible bonds (the "Convertible Bonds"), of an initial principal amount of RMB1,500,000,000 (equivalent to approximately US$225,000,000).

The Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited for the year ended 31 December 2015 and up to 21 July 2016.

The Convertible Bonds are secured by the pledge of certain shares of the Group's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Group as at 31 December 2015.

The convertible bonds contain a liability component and a conversion option. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The conversion option, which is an equity component was recognised as a conversion option reserve and included in reserves (note 21).

	2016 **RMB'000**	2015 RMB'000
As at 1 January	**1,625,790**	1,437,385
Accrued interest (note 29)	**89,610**	122,486
Acceleration of unwinding interest (note 29)	**–**	65,919
Extinguished on 21 July 2016 (note a)	**(1,715,400)**	–
As at 31 December	**–**	1,625,790

The fair value of the Convertible Bonds amounted to RMB1,066,500,000 as at 31 December 2015. The fair value was calculated using the market price of the Convertible Bonds on 31 December 2015.

There was no conversion and redemption during the year ended 31 December 2015.

As at 31 December 2015, the convertible notes were due and immediately payable.

As described in note (a) above, on 21 July 2016, the convertible bonds were exchanged to New Senior Notes and MEBs and CVRs.

22. BORROWINGS (Continued)

Notes: (Continued)

(d) Bank and other borrowings

The Group's bank and other borrowings of RMB55,240,487,000 (2015: RMB45,796,605,000) were secured by certain properties, investment properties, land use rights, properties under development and completed properties held for sale of the Group (notes 6, 7, 8, 11 and 12) and shares of certain of the Group's subsidiaries.

The Group's bank and other borrowings are guaranteed by certain subsidiaries of the Group:

	2016 RMB'000	2015 RMB'000
Group companies		
– guaranteed and secured by the Group's assets	**49,210,913**	43,569,605
– guaranteed and unsecured by the Group's assets	**6,852,238**	3,396,704
	56,063,151	46,966,309

The Group's other borrowings comprised of the loans from certain non-bank financial institutions.

(e) Loan from a related company

The amount due is unsecured, carries interest rate at 12.0% and repayable on demand. The related company is controlled by a substantial shareholder of the Company. As at 31 December 2016, a loan agreement with principal of RMB1,500,000,000 has expired, the Group has negotiated with the related company to renew the repayment term and the new repayment term has not finalised, and therefore the amounts are classified as repayable on demand.

(f) The effective interest rates at each of the reporting dates were as follows:

	2016	2015
Bank borrowings, included in non-current liabilities	**6.8%**	6.3%
Bank borrowings, included in current liabilities	**6.7%**	7.6%
Other borrowings, included in non-current liabilities	**10.5%**	10.9%
Other borrowings, included in current liabilities	**9.8%**	11.7%
Loans from a related company, included in non-current liabilities	–	12.0%
Loans from a related company, included in current liabilities	**12.0%**	12.0%
New Senior Notes	**8.27%-12.05%**	–
MEBs	**13.58%**	–
Senior Note 2012	–	12.9%
Senior Note January 2013	–	10.3%
Senior Note March 2013	–	8.9%
Senior Note April 2013	–	6.9%
Senior Note January 2014	–	8.9%
Senior Note June 2014	–	9.0%
Convertible Bonds	–	8.0%

(g) The amounts of the Group's borrowings are denominated in RMB except for New Senior Notes, MEBs and bank and other borrowings with aggregate amounts of RMB20,673,857,000 and RMB280,066,000 (2015: RMB17,134,275,000 and RMB810,263,000), which are denominated in USD and HKD respectively.

23. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	2016 RMB'000	2015 RMB'000
Deferred income tax assets	**26,543**	32,207
Deferred income tax liabilities	**(4,203,433)**	(3,163,089)
The net movement on the deferred income tax is as follows:		
Beginning of the year	**(3,130,882)**	(2,148,135)
Recognised in profit or loss (note 32)	**(1,046,008)**	(982,747)
End of the year	**(4,176,890)**	(3,130,882)

The movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred income tax assets arose from:

	Tax losses RMB'000
At 1 January 2015	145,420
Charged to profit or loss	(26,617)
At 31 December 2015 and 1 January 2016	118,803
Charged to profit or loss	(5,664)
At 31 December 2016	**113,139**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB12,020,382,000 (2015: RMB7,756,825,000) that can be carried forward against future taxable income. These tax losses have no expiry date except that approximately RMB457,286,000 (2015: RMB7,388,198,000) will expiry from 2016 to 2020.

23. DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities arose from:

	Revaluation of investment properties RMB'000
At 1 January 2015	2,232,118
Charged to profit or loss	956,130
At 31 December 2015 and 1 January 2016	3,188,248
Charged to profit or loss	1,040,343
At 31 December 2016	**4,228,591**

At 31 December 2016, the unrecognised deferred income tax liabilities were RMB848,362,000 (2015: RMB395,080,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2016 amounted to RMB16,967,239,000 (2015: RMB7,901,604,000).

24. ADVANCE PROCEEDS RECEIVED FROM CUSTOMERS AND DEPOSITS RECEIVED

The amount of RMB27,973,395,000 (2015: RMB14,524,168,000) represents deposits and installments received on properties sold to independent third parties after the issuance of pre-sale certificates by local government authorities.

25. OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Other payables and accruals (note (i))	**5,278,315**	4,882,120
Bills payables	**321,662**	96,930
Consideration payable related to purchase of subsidiaries	**–**	45,417
Other taxes payables	**292,699**	263,103
Amounts due to associates (note (ii))	**924,157**	–
	6,816,833	5,287,570

The carrying amounts of other payables are denominated in RMB and approximate to their fair values.

Notes:

(i) Other payables and accruals mainly included accrued expenses and advance from third parties, which are interest-free, unsecured and repayable on demand.

(ii) The amounts due are unsecured, interest-free and repayable on demand.

26. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

Amounts due to non-controlling interests of subsidiaries were unsecured, interest-free and repayable on demand.

27. OTHER (GAINS) AND LOSSES – NET

	2016 RMB'000	2015 RMB'000
Forfeited customer deposits	**(9,099)**	(4,480)
Write-down of completed properties held for sale and properties under development (notes 11, 12)	**670,615**	240,276
Government subsidy income (note)	**(80,104)**	(53,740)
Gain on disposal of available-for-sale financial assets	**(38,505)**	–
Dividend income received from available-for-sale financial assets	**(20,801)**	–
Loss on disposal of property and equipment	**793**	6,499
Others	**37,613**	27,784
	560,512	216,339

Note: The amount represented the subsidy received from the local government bureau in the PRC as an incentive for the development in the region. There was no unfulfilled conditions and other contingencies attached to the receipt of the subsidy.

28. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2016 RMB'000	2015 RMB'000
Auditors' remuneration	**5,230**	6,127
Advertising and other promotional costs	**405,204**	347,709
Agency fee	**131,252**	51,599
Business taxes/value-added taxes	**737,201**	624,255
Cost of properties sold	**14,091,333**	9,686,224
Depreciation (note 6)	**101,369**	104,841
Amortisation of land use rights (note 8)	**6,286**	6,286
Amortisation of intangible assets (note 9)	**85,796**	–
Donations	**25,989**	10
Legal and professional fees	**265,586**	121,053
Operating lease rental	**35,509**	33,434
Staff costs – including directors' emoluments (note 30)	**777,888**	517,717
Office expenses	**106,805**	55,520
Travelling	**21,985**	8,445
Others	**1,250,070**	645,526
	18,047,503	12,208,746

28. EXPENSES BY NATURE (Continued)

Note:

In accordance with the Circular on the full implementation of Levying Value-Added Tax ("VAT") in place of Business Tax (Caishui No.36, 2016) (the "Circular") jointly issued by the Ministry of Finance and the State Administration of Taxation, taxpayers providing taxable services included in the Circular would be subject to VAT and no longer to business tax starting from 1 May 2016. The Group has applied the Circular since 1 May 2016.

The PRC companies comprising the Group are subject to VAT on their revenues from 1 May 2016 and onwards at the following rates:

Category	Rate of VAT
Sales of properties (i)	5%, 11%
Rental income (i)	5%, 11%
Property management services (ii)	3%, 6%
Hotel and catering operations (ii)	3%, 6%

(i) According to the Circular, VAT for sales of properties and income from property investment, in the case that the construction of properties commenced or the investment property was acquired before 1 May 2016, is calculated at a tax rate of 5% based on a simple method. Otherwise, the VAT is calculated at a tax rate of 11%.

(ii) According to the Circular, VAT for property management services and hotel service and catering are calculated at tax rate of 6% and 3% respectively.

29. FINANCE COSTS – NET

	2016 RMB'000	2015 RMB'000
Finance income		
Interest income on bank deposits	**39,236**	10,717
Finance costs		
Interest expense		
– Bank borrowings	**3,661,536**	2,882,827
– Senior Notes	**917,594**	1,578,482
– Convertible Bonds (note 22)	**89,610**	188,405
– New Senior Notes	**698,254**	–
– MEBs (note 22)	**79,405**	–
– Other borrowings	**1,493,656**	1,702,922
Total interest expenses	**6,940,055**	6,352,636
Less: interest capitalised (note)	**(6,017,783)**	(5,230,439)
	922,272	1,122,197
Net exchange losses	**1,237,330**	994,964
	2,159,602	2,117,161
Finance costs – net (note 5)	**(2,120,366)**	(2,106,444)

Note: The capitalisation rate of borrowings is 14.37% (2015: 10.91%) for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	2016 RMB'000	2015 RMB'000
Wages and salaries	**531,582**	395,227
Pension costs – statutory pension	**31,532**	25,224
Medical benefits	**13,300**	10,598
Share-based payments	**5,881**	8,150
Other allowances and benefits	**195,593**	78,518
	777,888	517,717

31. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' and chief executive's emoluments

Details of emoluments paid to each director and chief executive for the year ended 31 December 2016 are as follows:

	Year ended 31 December 2016					
	Fees RMB'000	Salary RMB'000	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share option benefits RMB'000 (note vi)	Total RMB'000
Name of director						
Executive Directors						
Mr. Kwok Ying Shing (Chairman) (note ii)	–	3,739	–	18	–	3,757
Mr. Sun Yuenan (Vice Chairman)	–	7,021	57	32	361	7,471
Mr. Yu Jianqing	–	5,749	42	32	716	6,539
Mr. Zheng Yi (Chief Executive Officer) (note iii)	–	4,440	42	32	35	4,549
Mr. Lei Fugui (note iv)	–	1,119	–	–	–	1,119
Non-Executive Director						
Ms. Chen Shaohuan	–	255	–	–	–	255
Independent Non-Executive Directors						
Mr. Rao Yong	–	268	–	–	18	286
Mr. Zhang Yizhao	–	268	–	–	18	286
Total	–	22,859	141	114	1,148	24,262

31. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION

(Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Year ended 31 December 2015					
	Fees RMB'000	Salary RMB'000	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share option benefits RMB'000 (note vi)	Total RMB'000
Name of director						
Executive Directors						
Mr. Kwok Ying Shing (Chairman) (note ii)	–	1,183	–	18	–	1,201
Mr. Sun Yuenan (Vice Chairman)	–	7,103	52	28	788	7,971
Mr. Yu Jianqing	–	5,565	37	29	1,114	6,745
Mr. Zheng Yi (Chief Executive Officer) (note iii)	–	3,371	37	28	62	3,498
Mr. Lei Fugui (note iv)	–	1,257	1	–	–	1,258
Mr. Ye Lieli (note i)	–	698	–	–	–	698
Mr. Jin Zhigang (note i)	–	2,420	15	11	–	2,446
Non-Executive Director						
Ms. Chen Shaohuan	–	92	–	–	–	92
Independent Non-Executive Directors						
Mr. Rao Yong	–	251	–	–	40	291
Mr. Zhang Yizhao	–	251	–	–	39	290
Total	–	22,191	142	114	2,043	24,490

Notes:

(i) Resigned on 11 June 2015.

(ii) Re-appointed on 13 April 2015.

(iii) Appointed on 13 April 2015.

(iv) Resigned on 1 November 2016.

(v) Appointed on 28 February 2017.

(vi) Share option benefits represent fair value of share options granted to the relevant director which was charged to the consolidated statement of profit or loss and other comprehensive income in accordance with HKFRS 2.

31. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION

(Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 3 directors (2015: 2), whose emoluments are reflected in note (a) above. The emoluments for the remaining 2 (2015: 3) individual are as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries and other benefits	**7,580**	11,004
Contribution to pension schemes	**64**	85
Share option benefits	**301**	917
	7,945	12,006

The emoluments of the five highest paid individuals fell within the following bands:

	2016	2015
HK$3,500,001 to HK$4,000,000	**1**	2
HK$4,000,001 to HK$4,500,000	**1**	1
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,000,001 to HK$12,000,000	**2**	2
	5	5

During the years ended 31 December 2016 and 2015, none of the above individuals has received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; none of the above individuals has waived or has agreed to waive any emoluments.

32. INCOME TAX EXPENSES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

PRC enterprise income tax

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

Hong Kong profits tax

No Hong Kong profits tax was provided for the years ended 31 December 2016 and 2015 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax.

	2016 RMB'000	2015 RMB'000
Current income tax		
– PRC enterprise income tax	**674,476**	258,557
– PRC land appreciation tax	**465,003**	178,701
Under-provision in prior years		
– PRC land appreciation tax	**28,819**	8,200
Deferred income tax (note 23)	**1,046,008**	982,747
	2,214,306	1,428,205

32. INCOME TAX EXPENSES (Continued)

The income tax reconciliation is as follows:

	2016 RMB'000	2015 RMB'000
Profit before income tax	**1,866,795**	173,721
Add: Share of results of associates and joint ventures (note 10(a) and 10(b))	**32,355**	3,586
	1,899,150	177,307
Calculated at PRC foreign enterprise income tax rate of 25% (2015: 25%)	**474,787**	44,327
Effect of different income tax rates of certain companies	**335,746**	110,845
Income not subject to tax	**(395,498)**	(114,297)
Expenses not deductible for tax purposes	**189,601**	364,054
Tax losses not recognised	**1,110,184**	836,375
Utilisation of tax losses in prior years	**5,664**	–
PRC enterprise income tax	**1,720,484**	1,241,304
PRC land appreciation tax	**493,822**	186,901
Income tax expenses	**2,214,306**	1,428,205

33. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Loss attributable to equity holders of the Company (RMB'000)	**(612,380)**	(1,121,577)
Weighted average number of ordinary shares in issue (note 20)	**5,135,427,910**	5,135,427,910
Basic loss per share (RMB)	**(0.119)**	(0.218)

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of RMB612,380,000 (2015: RMB1,121,577,000) and the weighted average number of 5,135,427,910 (2015: 5,135,427,910) ordinary shares in issue during the year.

The diluted loss per share for the years ended 31 December 2016 and 2015 was the same as the basic loss per share for the respective year as the potential ordinary shares (convertible bonds and share options) were anti-dilutive.

34. CASH GENERATED FROM/(USED IN) OPERATIONS

	2016 RMB'000	2015 RMB'000
Loss for the year	(347,511)	(1,254,484)
Adjustments for:		
Income tax expenses (note 32)	2,214,306	1,428,205
Interest income (note 29)	(39,236)	(10,717)
Interest expense (note 29)	922,272	1,122,197
Net exchange losses (note 29)	1,237,330	994,964
Depreciation (note 6)	101,369	104,841
Amortisation of land use rights (note 8)	6,286	6,286
Amortisation of intangible assets (note 9)	85,796	–
Share of results of associates (note 10(a))	40,578	3,586
Share of results of joint ventures (note 10(b))	(8,223)	–
Loss on disposal of property and equipment (note (i))	793	6,499
Share-based payment	5,881	8,150
Changes in fair value of investment properties (note 7)	(4,161,371)	(3,824,520)
Changes in fair value of financial derivatives	21,500	42,219
Gain on extinguishment of financial liabilities (note 22(a))	(716,143)	–
Write-down of completed properties held for sale and properties under development (note 27)	670,615	240,276
Gain on disposal of available-for-sale financial assets (note 27)	(38,505)	–
Dividend income received from available-for-sale financial assets (note 27)	(20,801)	–
Changes in working capital:		
Properties under development and completed properties held for sale	10,091,625	4,121,882
Debtors, deposits and other receivables	7,662,800	(1,138,351)
Deposits for land acquisition	(597,244)	(225,702)
Prepayments for proposed development projects	(3,053,465)	(949,164)
Restricted cash	(4,727,194)	108,888
Advance proceeds received from customers and deposits received	13,447,636	(1,246,919)
Accrued construction costs	(3,886,930)	472,855
Other payables	(5,809,096)	(102,366)
Cash generated from/(used in) operations	13,103,068	(91,375)

Note:

Loss on disposal of property and equipment are as follows:

	2016 RMB'000	2015 RMB'000
Net carrying value disposed (note 6)	793	8,962
Proceeds received	–	(2,463)
Loss on disposal	793	6,499

35. DIVIDEND

No dividend was declared by the Company in respect of the years ended 31 December 2016 and 2015.

36. FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at 31 December 2016 and 2015:

	2016 **RMB'000**	2015 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units sold by the Group	**21,843,192**	15,105,912

The guarantees in respect of mortgage facilities granted by certain banks related to mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees expire or terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the mortgage loans obtained by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarantees.

37. COMMITMENTS

(a) Commitments for property development expenditures

	2016 **RMB'000**	2015 RMB'000
Contracted but not provided for	**27,186,258**	24,511,831

Note:

The amount represented capital commitments for land use rights, prepayments for proposed development contracts and construction contracts.

37. COMMITMENTS (Continued)

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2016 RMB'000	2015 RMB'000
Not later than one year	**27,278**	22,884
Later than one year and not later than five years	**29,906**	14,301
Later than five years	**324**	648
	57,508	37,833

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	2016 RMB'000	2015 RMB'000
Not later than one year	**176,819**	194,728
Later than one year and not later than five years	**427,198**	484,406
Later than five years	**236,789**	305,882
	840,806	985,016

38. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of Shenzhen Marine Group Company Limited* ("Shenzhen Marine")

On 12 May 2016, the Group acquired 70% equity interest of Shenzhen Marine at a cash consideration of RMB5,822,438,000 to obtain control over Shenzhen Marine. Shenzhen Marine mainly held a piece of land located at Donjaoton in Nanshan District (the "Land") through a 51% owned subsidiary (the "entity") and operates water-way passenger and cargo transportation business through other subsidiaries before they were acquired by the Group. The purpose of the acquisition was mainly for acquiring the Land for future development, while the water-way passenger and cargo transportation business was insignificant. Thus, the directors of the Company are of the view that the acquisition is treated as acquisition of land in substance.

The business license of the entity has been expired in 2014 and the entity applied for liquidation to the court. Based on the PRC laws and regulations, after the expiry of the operation period, the legal identity of the entity still exists and its net assets (net of the liquidation expenses and repayment to the creditors) will be distributed to the shareholders in accordance with the respective proportion of equity contributions.

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisition of Shenzhen Marine Group Company Limited* ("Shenzhen Marine") (Continued)

Up to the date when the consolidated financial statements are authorised for issue, the Group and the entity's other shareholder jointly consulted with the relevant government departments on various matters, in particular compensation arrangement for land expropriation, development of the Land for the city infrastructure and arrangements for the Land to be divided between the shareholders. The final plan will be subject to court approval. Up to the date when the consolidated financial statements are authorised for issue, the court has not approved the plan.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The assets and liabilities recognised at the date of acquisition are as follows:

	2016 RMB'000
Property and equipment (note 6)	311,719
Investments in associates	8,913
Deposits for land acquisition	15,575,628
Available-for-sale financial assets (note 13)	96,903
Debtors, deposits and other receivables	864,926
Cash and cash equivalents	263,521
Other payables	(596,930)
Advance deposits received from customers and deposits received	(1,591)
Income tax payable	(19,278)
Borrowings	(510,740)
Net assets	15,993,071
Less: non-controlling interests	(10,170,633)
Net assets acquired	5,822,438
Purchase consideration settled in cash	5,822,438
Cash and cash equivalents acquired	(263,521)
Cash outflow on acquisition of subsidiaries	5,558,917

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of Shenzhen Football Club Co., Ltd.* ("Shenzhen Football Club")

On 5 February 2016, the Group acquired 90% equity interest of Shenzhen Football Club at a cash consideration of RMB203,446,000. The directors are of the view that the acquisition constitutes acquisition of business.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets of Shenzhen Football Club.

The following table summarises the consideration paid for the acquisition, the fair value of the assets acquired and liabilities assumed at the acquisition date.

	2016 RMB'000
Property and equipment (note 6)	1,446
Intangible assets – contracts with various sports players (note 9)	107,437
Debtors, deposits and other receivables	239,300
Cash and cash equivalents	358
Other payables	(225,728)
Income tax payable	(14,806)
Net assets	108,007
Less: non-controlling interests	(10,801)
Net assets acquired	97,206
Purchase consideration settled in cash	203,446
Cash and bank balances in the subsidiary acquired	(358)
Cash outflow on acquisition of the subsidiary	203,088
Total purchase consideration	203,446
Identifiable net assets acquired	(97,206)
Goodwill (note 9)	106,240

(c) Acquisition of Shanghai Yitao Sports Culture Communication Co., Ltd* ("Shanghai Yitao") and Guangzhou Starshine Cinema Co., Ltd* ("Guangzhou Starshine")

On 26 August 2016, the Group acquired 70% equity interest in Shanghai Yitao at a cash consideration of RMB20,000,000 to diversify its business. Shanghai Yitao is principally engaged in sports operation. Thus, the directors of the Company are of the view that the acquisition constitutes acquisition of business.

On 22 July 2016, the Group acquired 100% equity interest in Guangzhou Starshine at a cash consideration of RMB9,000,000 to diversify its business. Guangzhou Starshine is principally engaged in entertainment operation. Thus, the directors of the Company are of the view that the acquisition constitutes acquisition of business.

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) Acquisition of Shanghai Yitao Sports Culture Communication Co., Ltd* ("Shanghai Yitao") and Guangzhou Starshine Cinema Co., Ltd* ("Guangzhou Starshine") (Continued)

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the aggregated consideration paid for the acquisition, the fair value of the assets acquired and liabilities assumed of Shanghai Yitao and Guangzhou Starshine at the acquisition date.

	2016 RMB'000
Property and equipment (note 6)	9,801
Debtors, deposits and other receivables	32,737
Cash and cash equivalents	1,223
Other payables	(26,347)
Income tax payable	(85)
Net assets	17,329
Less: non-controlling interests	(3,868)
Net assets acquired	13,461
Purchase consideration settled in cash	8,001
Cash and bank balances in subsidiaries acquired	(1,223)
Cash outflow on acquisition of the subsidiaries	6,778
Total purchase consideration	29,000
Identifiable net assets acquired	(13,461)
Goodwill (note 9)	15,539

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

(d) The acquired subsidiaries contributed total revenue of RMB277,785,000 and net loss of RMB29,756,000 to the Group for the period from their respective acquisition dates to 31 December 2016. Has these companies been consolidated from 1 January 2016, the consolidated statement of profit or loss would show pro-forma revenue of RMB17,923,182,000 and net loss for the year of RMB365,369,000.

39. SHARE OPTION

Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009, a post-IPO share option scheme (the "Share Option Scheme") was conditionally adopted. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

Details of the movement of the share options under Share Option Scheme are as follows:

	2016		2015	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**1.690**	**123,612,000**	1.844	236,872,000
Lapsed during the year	**1.802**	**(16,144,000)**	2.011	(113,260,000)
At 31 December	**1.674**	**107,468,000**	1.690	123,612,000

As at 31 December 2016, 81,752,000 (2015: 64,912,000) outstanding options granted under the Share Option Scheme were exercisable (note).

39. SHARE OPTION (Continued)

Share Option Scheme (Continued)

Note: Terms of share options at the reporting date were as follows:

Exercised period	Exercise price per share HK$	Number of share options 2016	2015
23/7/2011–22/7/2020	2.000	**3,620,000**	3,620,000
23/7/2012–22/7/2020	2.000	**3,620,000**	3,620,000
23/7/2013–22/7/2020	2.000	**3,820,000**	3,820,000
23/7/2014–22/7/2020	2.000	**4,420,000**	4,420,000
23/7/2015–22/7/2020	2.000	**8,540,000**	10,240,000
6/6/2013–5/6/2022	1.500	**4,856,000**	5,102,000
6/6/2014–5/6/2022	1.500	**6,244,000**	6,540,000
6/6/2015–5/6/2022	1.500	**22,116,000**	25,750,000
6/6/2016–5/6/2022	1.500	**22,116,000**	25,750,000
6/6/2017–5/6/2022	1.500	**22,116,000**	25,750,000
21/2/2015-20/2/2024	2.610	**1,200,000**	1,200,000
21/2/2016-20/2/2024	2.610	**1,200,000**	1,200,000
21/2/2017-20/2/2024	2.610	**1,200,000**	1,200,000
21/2/2018-20/2/2024	2.610	**1,200,000**	1,200,000
21/2/2019-20/2/2024	2.610	**1,200,000**	1,200,000
21/08/2015-20/8/2024	2.840	**–**	600,000
21/08/2016-20/8/2024	2.840	**–**	600,000
21/08/2017-20/8/2024	2.840	**–**	600,000
21/08/2018-20/8/2024	2.840	**–**	600,000
21/08/2019-20/8/2024	2.840	**–**	600,000
		107,468,000	123,612,000

The Company offered to grant several directors and employees (the "July 2010 Grant") of 179,750,000 share options of HK$0.10 each in the capital of the Company on 23 July 2010. On 6 June 2012, the Company further offered to grant several directors and employees (the "June 2012 Grant") of 326,790,000 share options respectively of HK$0.10 each in the capital of the Company. During the year ended 31 December 2014, the Company offered to grant an employee and a consultant (the "February 2014 Grant") total of 11,000,000 share options and an employee (the "August 2014 Grant") total of 3,000,000 share option respectively of HK$0.10 each in the capital of the Company on 21 February 2014 and 21 August 2014 respectively. The valuations were based on the Binomial Model with the following data and assumptions:

	July 2010 Grant	June 2012 Grant	February 2014 Grant	August 2014 Grant
Fair value under binomial model	HK$142,362,000	HK$198,688,000	HK$8,514,000	HK$2,592,000
Closing share price at grant date	HK$1.71	HK$1.39	HK$2.60	HK$2.83
Exercise price	HK$2.00	HK$1.50	HK$2.61	HK$2.84
Annual risk free interest rate	2.29%	1.04%	2.30%	1.94%
Expected volatility	40%	44%	45%	43%
Expected option life	10 years	10 years	10 years	10 years
Expected dividend yield	Nil	Nil	6.0%	5.0%

40. FINANCIAL INSTRUMENTS BY CATEGORY

	2016 RMB'000	2015 RMB'000
Loans and receivables		
Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes	**3,208,384**	2,817,065
Restricted cash (note 19)	**5,696,597**	969,403
Long-term bank deposits (note 19)	**–**	1,479
Short-term bank deposits (note 19)	**56,917**	13,974
Cash and cash equivalents (note 19)	**10,819,117**	2,324,546
	19,781,015	6,126,467
Available-for-sale financial assets (note 13)	**167,642**	10,000

	2016 RMB'000	2015 RMB'000
Other financial liabilities at amortised cost		
Accrued construction costs	**10,704,790**	14,591,720
Other payables, excluding other tax payables	**6,524,134**	5,024,467
Borrowings (note 22)	**87,536,816**	72,118,169
Amounts due to non-controlling interests of subsidiaries	**836,019**	672,405
	105,601,759	92,406,761
Liabilities at fair value through profit or loss		
Financial derivatives (note 17)	**263,822**	–

41. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

A joint venture
Huizhou City Kaileju Company Limited* ("惠州市愷樂居置業有限公司")

Controlling shareholder and former controlling shareholder
Mr. Kwok Ying Shing (a controlling shareholder) and Mr. Kwok Chun Wai (a former controlling shareholder)

A related company, a company controlled by a substantial shareholder of the Company
Shenzhen Fund Resources Investment Holding Limited* ("深圳市富德資源投資有限公司")

Associates
Shenzhen Qianhai Gold – Earth Wealth Management Co., Ltd.* ("深圳前海金土財富管理有限公司")
Shenzhen Longcheng Plaza Property Development Co., Ltd.* ("深圳市龍城廣場房地產開發有限公司")
Shenzhen Shenxin Financial Holding Co., Ltd.* ("深圳深信金融控股有限公司")

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

(b) Key management compensation

	2016 RMB'000	2015 RMB'000
Salaries and other short-term employee benefits	**44,386**	53,402
Retirement scheme contributions	**254**	272
Share option benefits	**1,892**	4,171
	46,532	57,845

41. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions

	2016 RMB'000	2015 RMB'000
Interest expense paid to a related company (note (i))	**345,240**	303,012
Rental expenses paid to controlling shareholders (note (ii))	**1,943**	1,911

Note:

1. Interest expense was charged at interest rate of 12% per annum on loans from a related company.

2. This represents payment of rental expense for various office premises to a former controlling shareholder, Mr. Kwok Chun Wai and a controlling shareholder, Mr. Kwok Ying Shing, respectively. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

(d) Balances with related parties

	2016 RMB'000	2015 RMB'000
Loans from a related company (note 22(e))	**2,877,000**	2,877,000
Amount due from an associate (note 14)	**400,000**	–
Amount due from a joint venture (note 14)	**599,390**	–
Amounts due to associates (note 25)	**(924,157)**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2016

	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES		
Non-current asset		
Investments in subsidiaries	**25,550,718**	23,473,255
Current assets		
Debtors, deposits and other receivables	**3,015**	1,862
Cash and cash equivalents	**1,297**	27,124
	4,312	28,986
Current liabilities		
Other payables	**77,171**	93,913
Financial derivatives	**263,822**	–
Borrowings	**–**	18,533,434
	340,993	18,627,347
Net current liabilities	**(336,681)**	(18,598,361)
Total assets less current liabilities	**25,214,037**	4,874,894
Non-current liabilities		
Borrowings	**20,252,803**	–
Net assets	**4,961,234**	4,874,894
EQUITY		
Share capital	**450,450**	450,450
Share premium (note 20)	**4,253,704**	4,253,704
Reserves (note (a))	**257,080**	170,740
Total equity	**4,961,234**	4,874,894

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2017 and was signed on its behalf.

Kwok Ying Shing
Director

Zheng Yi
Director

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Share option reserve RMB'000 (note 21(c))	Conversion option reserve RMB'000 (note 22(c))	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2015	105,166	220,824	423,091	749,081
Loss and total comprehensive loss for the year	–	–	(528,503)	(528,503)
Share-based payments (note 21(c))	8,150	–	–	8,150
Share options lapsed	(57,988)	–	–	(57,988)
Balance at 31 December 2015 and 1 January 2016	55,328	220,824	(105,412)	170,740
Profit and total comprehensive income for the year	–	–	80,459	80,459
Derecognition of conversion options included in the Convertible Bonds issued in 2010 (note 22(c))	–	(220,824)	220,824	–
Share-based payment	5,881	–	–	5,881
Share options lapsed	(6,840)	–	6,840	–
Balance at 31 December 2016	54,369	–	202,711	257,080

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2016 and 2015 are set out below:

These entities are local investment enterprises, which established in the PRC and operating principally in the PRC:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest	Principal activities
Jinsheng Engineering Management Consulting (Shenzhen) Co., Ltd. 今盛工程管理咨詢(深圳)有限公司	27 July 2001	HK$714,000,000	100%	Property development
Kaisa Urban Redevelopment Group (Shenzhen) Co., Ltd. 佳兆業城市更新集團(深圳)有限公司	26 March 2004	RMB10,000,000	100%	Property development
Kaisa Group (Shenzhen) Co., Ltd. 佳兆業集團(深圳)有限公司	3 June 1999	RMB2,826,163,980	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

These entities are local investment enterprises, which established in the PRC and operating principally in the PRC: (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest	Principal activities
Shenzhen Naiao Kaisa Property Development Co., Ltd. 深圳市南澳佳兆業房地產開發有限公司	15 February 2004	RMB640,000,000	100%	Property development
Huizhou Canrong Property Ltd. 惠州燦榮房產公司	14 January 1994	RMB35,926,506	100%	Property development
Woodland Height Property (Yingkou) Co., Ltd. 桂芳園地產(營口)有限公司	14 December 2010	RMB495,750,000	100%	Property development
Kaisa Property (Yingkou) Co., Ltd. 佳兆業地產(營口)有限公司	14 December 2010	RMB372,570,000	100%	Property development
Zhaoruijing Hotel Zhiye Management (Suizhong) Co., Ltd. 兆瑞景酒店置業管理(綏中)有限公司	20 December 2010	HK$68,300,000	100%	Hotel management
Leisure Land Hotel Zhiye Management (Suizhong) Co.,Ltd. 可域酒店置業管理(綏中)有限公司	20 December 2010	RMB144,653,000	100%	Hotel management
Zhuzhou Kaisa Zhiye Co., Ltd. 株洲佳兆業置業有限公司	13 January 2011	HK$600,000,000	100%	Property development
Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司	28 December 2010	RMB850,000,000	100%	Property development
Kasia Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司	7 March 2011	HK$210,000,000	100%	Property development
Zhuhai Kaisa Property Development Co.,Ltd. 珠海市佳兆業房地產開發有限公司	9 June 2011	RMB518,000,000	100%	Property development
Bakai Property Development (Weifang) Co., Ltd. 八凱房地產開發(濰坊)有限公司	22 June 2011	USD50,000,000	100%	Property development
Kaisa Property (Wuhan) Co., Ltd. 佳兆業地產(武漢)有限公司	1 July 2011	RMB547,528,247	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

These entities are local investment enterprises, which established in the PRC and operating principally in the PRC: (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest	Principal activities
Kaisa Tourism Development Co., Ltd. 佳兆業旅遊開發有限公司	15 July 2011	HK$93,600,000	100%	Property development
Kaisa Property (Suizhong) Co., Ltd. 佳兆業地產(綏中)有限公司	15 July 2011	HK$246,500,000	100%	Property development
Kaisa Property (Liaoyang) Co., Ltd. 佳兆業地產(遼陽)有限公司	24 August 2011	USD31,000,000	100%	Property development
Anshan Kaisa Commerce Operation Management Co., Ltd 鞍山佳兆業商業管理有限公司	26 September 2011	USD26,582,581	100%	Commerce management
Kaisa Xindu Zhiye (Qingdao) Co., Ltd. 佳兆業新都置業(青島)有限公司	18 February 2013	USD60,000,000	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	11 April 1992	RMB98,040,000	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	29 January 2007	RMB50,000,000	100%	Property development
Kaisa Property Management (Shenzhen) Co., Ltd. 佳兆業物業管理(深圳)有限公司	20 October 1999	RMB310,000,000	100%	Property management
Kaisa Commerce Group Co., Ltd. 佳兆業商業集團有限公司	19 July 2004	RMB1,000,000,000	100%	Commerce management
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	21 March 1997	RMB12,000,000	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	27 October 2005	RMB202,500,000	100%	Property development
Shenzhen Woodland Height Shiye Co., Ltd. 深圳市桂芳園實業有限公司	13 October 2003	RMB500,000,000	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

These entities are sino-foreign equity joint venture enterprises, which established in the PRC and operating principally in the PRC:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest	Principal activities
Huizhou Jinhu Property Development Co., Ltd. 惠州市金湖房地產有限公司	26 March 1993	RMB100,000,000	100%	Property development
Shenzhen Longgang Kaisa Property Development Co., Ltd. 深圳市龍崗佳兆業房地產開發有限公司	14 November 2006	RMB204,680,000	100%	Property development
Chengdu Nanxing Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	5 November 2004	RMB420,000,000	100%	Property development
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司	12 July 2007	RMB10,000,000	100%	Property development
Hunan Kaisa Property Development Co., Ltd. 湖南佳兆業房地產開發有限公司	21 August 2007	RMB220,000,000	100%	Property development
Shenzhen Dapeng Kaisa Property Development Co., Ltd. 深圳市大鵬佳兆業房地產開發有限公司	17 November 2000	RMB100,000,000	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	22 June 2007	RMB20,000,000	100%	Property development
Shenzhen Taijian Construction & Engineering Co., Ltd. 深圳市泰建建築工程有限公司	19 July 2007	RMB1,000,000,000	100%	Construction engineering
Shenzhen Xingwoer Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	29 January 1999	RMB10,000,000	100%	Property development
Shanghai Xinwan Investment Development Co., Ltd. 上海新灣投資發展有限公司	17 January 2007	RMB35,000,000	100%	Property development
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	29 August 2007	RMB60,000,000	100%	Property development
Boluo Kaisa Property Co., Ltd. 博羅縣佳兆業房地產有限公司	2 June 2008	RMB10,000,000	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

These entities are sino-foreign equity joint venture enterprises, which established in the PRC and operating principally in the PRC: (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest	Principal activities
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司	2 June 2008	RMB10,000,000	100%	Property development
Shenzhen Golden Bay Hotel Co., Ltd. 深圳市金沙灣大酒店有限公司	17 June 1997	RMB50,000,000	100%	Hotel management
Leisure Land Hotel Property Management Jiangyin Co., Ltd. 可域酒店置業管理江陰有限公司	15 October 2009	RMB150,000,000	100%	Property development
Shenzhen Tianlian Industry Development Co., Ltd. 深圳市天利安實業發展有限公司	4 September 2002	RMB46,000,000	100%	Property development
Jiangsu Kaisa Investment Co.,Ltd. 江蘇佳兆業投資有限公司	18 May 2010	RMB15,000,000	100%	Property development
Baoji Crafts (Shenzhen) Co.,Ltd. 寶吉工藝品(深圳)有限公司	28 December 1988	RMB877,725,000	100%	Property development
Jiangyin Washington Waterfront Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	10 December 2010	RMB20,000,000	100%	Property development
Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司	7 January 2010	RMB260,000,000	100%	Property development
Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司	22 February 2011	RMB20,000,000	100%	Property development
Foshan Shunde Ideal City Real Estate Investment Co.,Ltd. 佛山市順德區理想城房地產投資有限公司	9 October 2010	RMB775,510,000	100%	Property development
Dalian Kaisa Commerce Operation Management Co., Ltd. 大連市佳兆業商業經營管理有限公司	18 March 2011	RMB120,000,000	100%	Commerce management
Shenzhen Yantian Kaisa Property Development Co., Ltd. 深圳市鹽田佳兆業房地產開發有限公司	19 April 2011	RMB800,000,000	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

These entities are sino-foreign equity joint venture enterprises, which established in the PRC and operating principally in the PRC: (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest	Principal activities
Kaisa Dai River East Property Development Co.,Ltd. 佳兆業東戴河房地產開發有限公司	6 July 2011	RMB50,000,000	100%	Property development
Hunan Mingtai Zhiye Development Co., Ltd. 湖南明泰置業發展有限公司	12 October 2000	RMB310,000,000	100%	Property development
Shenzhen YueFeng Investment Co., Ltd. 深圳市悅峰投資有限公司	25 April 2012	RMB100,000,000	100%	Property development
Guangzhou Yaxiang Property Development Co., Ltd. 廣州市雅翔房地產開發有限公司	7 May 2012	RMB918,370,000	100%	Property development
Taizhou Kaisa Jiangshan Property Development Co., Ltd. 泰州佳兆業江山房地產開發有限公司	30 December 2011	RMB50,000,000	100%	Property development
Kaisa Property (Shanghai) Co., Ltd. 佳兆業地產(上海)有限公司	17 July 2012	RMB30,000,000	100%	Property development
Wuhan Kaisa Investment Co., Ltd. 武漢市佳兆業投資有限公司	13 July 2012	RMB250,000,000	100%	Property development
Shanghai Jinwan Zhaoye Property Development Co., Ltd. 上海金灣兆業房地產開發有限公司	2 August 2012	RMB30,000,000	100%	Property development
Jiangyin Binjiangyayuan Property Development Co., Ltd. 江陰濱江雅園房地產開發有限公司	14 September 2012	RMB20,000,000	100%	Property development
Chongqing Shenlian Investment Co., Ltd. 重慶深聯投資有限公司	22 August 2012	RMB20,000,000	60%	Property development
Dalian Huapu Zhiye Co., Ltd. 大連華普置業有限公司	9 December 2009	RMB100,000,000	100%	Property development
Shanghai Jiawan Zhaoye Property Co., Ltd. 上海嘉灣兆業房地產有限公司	24 December 2012	RMB30,000,000	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

These entities are sino-foreign equity joint venture enterprises, which established in the PRC and operating principally in the PRC: (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest	Principal activities
Kaisa Culture and Sports Investment Development (Shenzhen) Co., Ltd. 佳兆業文化體育(深圳)有限公司	25 January 2013	RMB72,000,000	90%	Commerce management
Kaisa Property (Hangzhou) Co., Ltd. 佳兆業房地產(杭州)有限公司	6 March 2013	RMB40,820,000	100%	Property development
Chengdu Tianjia Zhiye Co., Ltd. 成都天佳置業有限公司	19 April 2013	RMB200,000,000	100%	Property development
Shenzhen Jiawangji Property Development Co., Ltd. 深圳市佳旺基房地產開發有限公司	5 February 2010	RMB50,000,000	70%	Property development
Guangzhou Jiayu Property Development Co., Ltd. 廣州市佳宇房地產開發有限公司	21 May 2013	RMB50,000,000	100%	Property development
Guangzhou Jiarui Property Development Co., Ltd. 廣州市佳瑞房地產開發有限公司	5 June 2013	RMB200,000,000	100%	Property development
Wuhan Junhui Property Development Co., Ltd. 武漢市君匯房地產開發有限公司	20 May 2013	RMB50,000,000	100%	Property development
Shanghai Yingwan Zhaoye Property Development Co., Ltd. 上海贏灣兆業房地產有限公司	20 June 2013	RMB50,000,000	100%	Property development
Shanghai Rongwan Zhaoye Property Development Co., Ltd. 上海榮灣兆業房地產開發有限公司	17 October 2013	RMB30,000,000	100%	Property development
Wan Tai Chang Property Development (Suizhong) Co., Ltd. 萬泰昌房地產開發(綏中)有限公司	15 October 2013	HKD428,999,750	100%	Property development
Hangxilongye Property (Hangzhou) Co., Ltd. 杭溪隆業房地產(杭州)有限公司	26 June 2013	RMB98,000,000	100%	Property development
Shanghai Chengwan Zhaoye Property Development Co., Ltd. 上海誠灣兆業房地產有限公司	2 August 2013	RMB58,820,000	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

These entities are sino-foreign equity joint venture enterprises, which established in the PRC and operating principally in the PRC: (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest	Principal activities
Hunan Daye Property Development Co., Ltd. 湖南達業房地產開發有限公司	9 August 2013	RMB100,000,000	100%	Property development
Chongqing Kaisa Property Development Co., Ltd. 重慶佳兆業房地產開發有限公司	13 November 2013	RMB946,675,000	100%	Property development
Guanzhou Zhaochang Property Development Co., Ltd. 廣州市兆昌房地產開發有限公司	21 June 2013	RMB30,000,000	100%	Property development
Sichuan Tianzi Zhiye Co., Ltd. 四川天姿置業有限公司	15 September 2006	RMB20,000,000	100%	Property development
Fenglong Group Co., Ltd. 豐隆集團有限公司	29 October 1993	RMB168,000,000	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	14 January 1994	HK$256,026,685	100%	Property development
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司	24 March 2008	USD90,000,000	100%	Property development
Kaisa Real Estate Jiangyin Co., Ltd. 佳兆業地產江陰有限公司	15 October 2009	RMB450,000,000	100%	Property development
Kaisa Real Estate (Liaoning) Co., Ltd. 佳兆業地產(遼寧)有限公司	28 January 2010	RMB1,086,670,000	100%	Property development
Kaisa Commerce Property Management (Panjin) Co., Ltd. 佳兆業商業置業管理(盤錦)有限公司	16 March 2011	USD61,660,000	100%	Property development
Shenzhen Zhengchangtai Investment Consulting Co., Ltd. 深圳市正昌泰投資諮詢有限公司	13 June 2007	RMB10,000,000	100%	Property development
Wanyuchang Computer Technology Development Co., Ltd. 萬裕昌電腦技術開發(深圳)有限公司	26 October 2001	HK$2,000,000	100%	Commerce management

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

These entities are sino-foreign equity joint venture enterprises, which established in the PRC and operating principally in the PRC: (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest	Principal activities
Kaisa Holdings Limited 佳兆業集團有限公司	16 July 1999	HK$10,000	100%	Property development
Beijing Jinmao Caixun Xinci Co., Ltd 北京金貿財迅資訊有限公司	5 December 2005	RMB24,400,000	100%	Commerce management
Dong Sheng Investment Company Limited 東升投資有限公司	25 July 2007	USD1	100%	Investment holding
Rui Jing Investment Company Limited 瑞景投資有限公司	23 July 2007	HK$1	100%	Investment holding
Kaisa Group Holdings Ltd. 佳兆業集團控股有限公司	2 August 2007	HK$450,418,586	100%	Investment holding
Kaisa (Huizhou) Road Construction Development Co., Ltd. 佳兆業(惠州)道路建設發展有限公司	2 February 2008	USD40,000,000	100%	Commerce management
Tai An Da Investment Company Limited 泰安達投資有限公司	2 March 2010	USD2	100%	Investment holding
Wan Rui Fa Investment Company Limited 萬瑞發投資有限公司	2 March 2010	HK$10,000	100%	Investment holding
Tai He Sheng Investment Company Limited 泰和盛投資有限公司	2 March 2010	USD1	100%	Investment holding
Tai Chong Li Investment Company Limited 泰昌利投資有限公司	2 March 2010	USD1	100%	Investment holding
Wan Jin Chang Investment Limited 萬晉昌投資有限公司	2 March 2010	HK$1	100%	Investment holding
Wan Rui Chang Investment Company Limited 萬瑞昌投資有限公司	2 March 2010	HK$1	100%	Investment holding
Wan Tai Chang Investment Company Limited 萬泰昌投資有限公司	2 March 2010	HK$1	100%	Investment holding

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

These entities are sino-foreign equity joint venture enterprises, which established in the PRC and operating principally in the PRC: (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest	Principal activities
Shenzhen Kaisa hotel Management Co., Ltd. 深圳市佳兆業酒店管理有限公司	15 September 2010	RMB110,750,000	100%	Hotel management
Hong Kong Kaisa Industry Co.,Limited 香港佳兆業實業有限公司	24 November 2010	USD1,000	100%	Investment holding
Changzhou Kaisa Property Development Co., Ltd. 常州佳兆業房地產開發有限公司	8 December 2010	RMB506,958,095	100%	Property development
Sunny Sino Investments Limited 熙華投資有限公司	21 September 2011	USD1	100%	Investment holding
Xifeng Management Consulting (Shenzhen) Co,. Ltd. 熙豐管理咨詢(深圳)有限公司	17 November 2011	RMB1,000,000	100%	Commerce management
Shenzhen Denghong Management Consulting Co., Ltd. 深圳市德弘管理諮詢有限公司	8 November 2011	RMB500,000,000	100%	Commerce management
Action Enrich Limited 行裕有限公司	2 May 2012	USD1,000	100%	Investment holding
Chengdu Dingchengda Property Development Co., Ltd. 成都市鼎誠達房地產開發有限公司	6 July 2012	RMB10,000,000	80%	Property development
Zuobo Management Consulting (Shenzhen) Co., Ltd. 佳兆業左博置業(深圳)有限公司	21 August 2012	RMB20,000,000	100%	Property development
Wan Rui Chang Property Development (Suizhong) Co., Ltd. 萬瑞昌房地產開發(綏中)有限公司	1 August 2012	HK$244,000,000	100%	Property development
Kaisa Property (Dandong) Co., Ltd. 佳兆業地產(丹東)有限公司	30 October 2012	USD50,500,000	100%	Property development
Shenzhen Cixiang Kaisa Property Development Co., Ltd. 深圳市西鄉佳兆業房地產開發有限公司	27 May 2013	RMB50,000,000	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

These entities are sino-foreign equity joint venture enterprises, which established in the PRC and operating principally in the PRC: (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest	Principal activities
Splendid Maple Limited 燁楓有限公司	21 May 2013	USD10,000	100%	Investment holding
Huidong Kaisa Property Development Limited 惠東縣佳兆業房地產開發有限公司	13 February 2014	RMB50,000,000	100%	Property development
Suzhou Kaisa Property Development Co., Ltd. 蘇州市佳兆業房地產開發有限公司	20 February 2014	RMB196,000,000	100%	Property development
Suzhou Kaisa Shangpin Property Development Co., Ltd. 蘇州市佳兆業上品房地產開發有限公司	21 February 2014	RMB98,000,000	100%	Property development
Chengdu Jincheng Jiaye Property Development Co., Ltd. 成都錦城佳業房地產開發有限公司	24 February 2014	RMB10,000,000	100%	Property development
Nanjing Aoxin Property Development Co., Ltd. 南京奧信房地產開發有限公司	11 November 2013	RMB50,000,000	100%	Property development
Shanghai Qingwan Zhaoye Property Development Co., Ltd. 上海青灣兆業房地產開發有限公司	21 August 2014	RMB50,000,000	100%	Property development
Chengdu Jinxinrui Property Development Co., Ltd. 成都市錦新瑞房地產開發有限公司	7 November 2012	RMB50,000,000	100%	Property development
Shenzhen Chuangzhan Hotel Development Co., Ltd. 深圳市創展酒店發展有限公司	12 June 2012	RMB10,000,000	51%	Property development
Shenzhen Guanyang Property Development Co., Ltd. 深圳冠洋房地產有限公司	5 June 2009	RMB100,000,000	51%	Property development
Shenzhen Jielingzixun Co., Ltd. 深圳市傑領信息諮詢有限公司	3 November 2014	RMB1,000,000	100%	Commerce management

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiaries	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income/(losses) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Shenzhen Marine and its subsidiaries	the PRC	**30% (note)**	N/A	**27,739**	N/A	**10,918,372**	N/A

Note: As at 31 December 2016, the Group held 70% (2015: nil) equity interest in Shenzhen Marine, which indirectly held 51% (2015: nil) equity interest in Shenzhen Zhenhua Harbour Enterprise Limited *.

* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests as set out below. The summarised financial information below represents amounts before intra-group eliminations.

(i) Shenzhen Marine and its subsidiaries

	2016 RMB'000
Current assets	**16,175,854**
Non-current assets	**475,459**
Current liabilities	**(467,457)**
Non-current liabilities	**(220,535)**
Equity	**15,963,321**
Equity attributable to owners of the Company	**5,044,949**
Equity attributable to non-controlling interests	**10,918,372**

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

(i) Shenzhen Marine and its subsidiaries (Continued)

	Since acquisition to 31 December 2016 RMB'000
Revenue	222,195
Other income	40,022
Expenses	(162,891)
Profit for the period	99,326
Total comprehensive income attributable to owners of the Company	27,739
Total comprehensive income attributable to the non-controlling interests	71,587
Total comprehensive income for the period	99,326
Net cash from operating activities	196,900
Net cash used in investing activities	(52,318)
Net cash used in financing activities	(105,410)
Net cash inflow	39,172

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(restated)	(restated)
ASSETS					
Non-current assets					
Property and equipment	**1,087,064**	760,171	848,179	579,528	307,948
Investment properties	**30,690,680**	20,738,703	16,256,160	9,595,200	7,539,500
Land use rights	**163,178**	162,942	169,228	165,342	60,485
Investments in associates	**1,331,121**	783,175	778,461	–	–
Investments in joint ventures	**931,751**	–	–	–	–
Available-for-sale financial assets	**154,538**	–	–	–	–
Goodwill and intangible assets	**217,798**	–	–	–	–
Long-term bank deposits	**–**	1,479	64,695	–	–
Deferred income tax assets	**26,543**	32,207	58,824	197,560	208,941
	34,602,673	22,478,677	18,175,547	10,537,630	8,116,874
Current assets					
Properties under development	**60,559,839**	63,861,735	69,335,835	46,416,918	32,193,551
Completed properties held for sale	**16,246,233**	17,663,012	11,320,631	6,192,231	3,174,683
Available-for-sale financial assets	**13,104**	10,000	56,823	–	–
Other assets	**–**	–	–	3,358,856	129,570
Debtors, deposits and other receivables	**5,786,042**	5,357,835	3,697,214	3,270,459	2,472,289
Deposits for land acquisition	**17,693,750**	4,002,386	3,776,684	9,662,066	3,462,425
Prepayments for proposed development projects	**13,620,415**	10,566,950	9,617,786	4,025,563	3,608,772
Prepaid taxes	**727,280**	298,157	262,507	197,760	191,806
Financial derivatives	**–**	–	627	51,450	–
Restricted cash	**5,696,597**	969,403	1,078,291	1,676,463	669,784
Short-term bank deposits	**56,917**	13,974	189,860	263,723	–
Cash and cash equivalents	**10,819,117**	2,324,546	3,131,154	6,765,970	4,682,502
	131,219,294	105,067,998	102,467,412	81,881,459	50,585,382

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(restated)	(restated)
Current liabilities					
Advance proceeds received from customers and deposits received	**27,973,395**	14,524,168	15,771,087	13,844,861	10,446,568
Accrued construction costs	**10,704,790**	14,591,720	14,118,865	8,020,540	5,414,517
Income tax payable	**4,440,460**	3,989,909	3,879,450	2,817,056	1,480,732
Borrowings	**7,762,301**	33,713,019	61,256,102	45,446,443	21,849,610
Financial derivatives	**263,822**	–	34,735	–	59,084
Other payables	**6,816,833**	5,287,570	3,787,568	2,661,171	1,771,684
Amounts due to non-controlling interests of subsidiaries	**836,019**	672,405	672,318	70,793	451,899
	58,797,620	72,778,791	99,520,125	72,860,864	41,474,094
Net current assets	**72,421,674**	32,289,207	2,947,287	9,020,595	9,111,288
Total assets less current liabilities	**107,024,347**	54,767,884	21,122,834	19,558,225	17,228,162
LIABILITIES					
Non-current liabilities					
Borrowings	**79,774,515**	38,405,150	4,466,896	1,913,250	2,018,296
Deferred income tax liabilities	**4,203,433**	3,163,089	2,206,959	1,300,266	1,143,247
	83,977,948	41,568,239	6,673,855	3,213,516	3,161,543
Net assets	**23,046,399**	13,199,645	14,448,979	16,344,709	14,066,619
EQUITY					
Share capital	**450,450**	450,450	450,450	434,139	432,246
Share premium	**4,253,704**	4,253,704	4,253,704	3,861,789	3,817,526
Reserves	**8,241,973**	8,845,390	9,958,817	11,969,010	9,772,806
Equity attributable to equity holders of the Company	**12,946,127**	13,549,544	14,662,971	16,264,938	14,022,578
Non-controlling interests	**10,100,272**	(349,899)	(213,992)	79,771	44,041
Total equity	**23,046,399**	13,199,645	14,448,979	16,344,709	14,066,619

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000 (restated)	2012 RMB'000 (restated)
Revenue	**17,771,517**	10,926,535	19,600,176	19,523,056	11,955,020
Cost of sales	**(15,459,546)**	(10,583,158)	(16,729,262)	(13,152,594)	(8,069,591)
Gross profit	**2,311,971**	343,377	2,870,914	6,370,462	3,885,429
Other (losses)/gains, net	**(560,512)**	(216,339)	(1,742,408)	(428,681)	226,051
Selling and marketing expenses	**(842,695)**	(559,419)	(798,518)	(861,877)	(578,325)
Administrative expenses	**(1,745,262)**	(1,066,169)	(1,170,986)	(952,013)	(818,386)
Changes in fair value of investment properties	**4,161,371**	3,824,520	3,626,772	728,712	501,075
Changes in fair value of financial derivatives	**(21,500)**	(42,219)	(85,772)	51,450	54,710
Loss arising from the Incident	**–**	–	(482,736)	–	–
Operating profit	**3,303,373**	2,283,751	2,217,266	4,908,053	3,270,554
Share of results of associates	**(40,578)**	(3,586)	(634)	–	(462)
Share of results of joint ventures	**8,223**	–	–	–	–
Finance income	**39,236**	10,717	25,039	317,519	37,811
Finance costs	**(2,159,602)**	(2,117,161)	(775,804)	(741,303)	(38,501)
Finance costs – net	**(2,120,366)**	(2,106,444)	(750,765)	(423,784)	(690)
Gain on extinguishment of financial liabilities	**716,143**	–	–	–	–
Profit before income tax	**1,866,795**	173,721	1,465,867	4,484,269	3,269,402
Income tax expenses	**(2,214,306)**	(1,428,205)	(2,765,935)	(2,293,213)	(1,153,225)
(Loss)/profit for the year	**(347,511)**	(1,254,484)	(1,300,068)	2,191,056	2,116,177
Other comprehensive loss, including *reclassification adjustments item that will be classified subsequently to profit or loss*:					
Changes in fair value of available-for-sale financial assets, net of tax	**(210)**	–	–	–	–
Other comprehensive loss for the year, including reclassification adjustment	**(210)**	–	–	–	–
Total comprehensive (loss)/income for the year	**(347,721)**	(1,254,484)	(1,300,068)	2,191,056	2,116,177
(Loss)/profit for the year attributable to:					
Equity holders of the Company	**(612,380)**	(1,121,577)	(1,287,484)	2,174,639	2,072,219
Non-controlling interests	**264,869**	(132,907)	(12,584)	16,417	43,958
	(347,511)	(1,254,484)	(1,300,068)	2,191,056	2,116,177
Total comprehensive (loss)/income for the year attributable to					
Equity holders of the Company	**(612,590)**	(1,121,577)	(1,287,484)	2,174,639	2,072,219
Non-controlling interests	**264,869**	(132,907)	(12,584)	16,417	43,958
	(347,721)	(1,254,484)	(1,300,068)	2,191,056	2,116,177

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