SOHO 中國 CHINA

Stock Code: 410

2016
ANNUAL REPORT

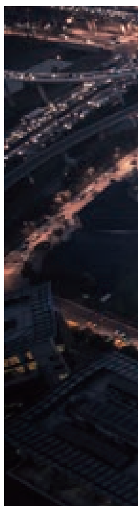
SOHO CHINA LIMITED

SOHO CHINA

The board (the "Board") of directors (the "Director(s)") of SOHO China Limited (the "Company", "We" or "SOHO China") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Year" or the "Period"), which had been prepared in accordance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2016 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company (the "Audit Committee") and approved by the Board on 23 March 2017.

During the Year, the Group achieved a turnover of approximately RMB1,577 million, representing an increase of approximately 58% compared with 2015, of which RMB1,511 million came from property leasing, up 44% as compared with 2015. The gross profit margin of the Group during the Year was approximately 79%. Net profit attributable to equity shareholders of the Company for the Year was approximately RMB910 million, representing an increase of approximately 69% compared to 2015.

On 17 August 2016, the Board recommended the declaration and payment of a special dividend of RMB0.19 per share (the "Share(s)") to the shareholders (the "Shareholder(s)") of the Company which has been approved by Shareholders at the extraordinary general meeting of the Company held on 27 September 2016. The Board recommended the declaration and payment of a special dividend of RMB0.346 per Share to the Shareholders which is subject to Shareholders' approval at the annual general meeting of the company to be held on Friday, 26 May 2017 (the "AGM").



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CHAIRMAN'S STATEMENT

During the Year, the GDP growth in China was 6.7%, 0.2 percentage point lower than 2015. Impacted by the soft macro environment, the prime office demand in China was also relatively weak, in contrast to the increasing supply. According to the market reports, though the rents of prime office buildings in Beijing and Shanghai continued the stable and upward trend, the occupancy rates declined slightly from last year.

Despite these challenges, SOHO China's property leasing outperformed the general market in both rental growth and occupancy rate on the strength of SOHO China's rich leasing experience and quality property management service. As at the end of December 2016, the average occupancy rate was approximately 96% for all investment properties under leasing. Rents of the new contracts were approximately 15% to 25% higher than those of the expired ones.

SOHO China achieved rental income of approximately RMB1,511 million in 2016, which folded approximately 10 times in merely 4 years after we announced the transition of the business model in 2012. The achievement in the past year proved to the market again that SOHO China has made full commitment to the long-term development strategy and has been carrying forward the model transition with firm steps and unshakable determination.

The office and retail parts of SOHO Tianshan Plaza in Shanghai were completed in December 2016 and will be the new leasing property for the Group in 2017. Our goal is to build up its occupancy to approximately 90% in 12 months and we are confident that such goal should be achievable. At the moment, the Group still has two projects under construction, which are SOHO Leeza in Beijing and Gubei project in Shanghai. According to the current development schedule, the whole investment property portfolio is expected to be fully completed at the end of 2018, by then SOHO China will be holding quality offices in prime locations of Beijing and Shanghai with a total gross floor area (the "GFA") of approximately 1.7 million sq.m..

During the second half of 2016, the Group took the market opportunity to sell its entire ownership interest in SOHO Century Plaza in Shanghai at a consideration of approximately RMB3,297 million (value-added tax inclusive), which was approximately 70% higher than the cost and approximately 21% higher than its re-valued book value as at 30 June 2016, implying a capital rate as low as approximately 3.4%. SOHO Century Plaza was a nearly completed building when we acquired it in 2011. At the time of the disposal, it had already been mature and under stable operation. Given that it only accounted for approximately 3.7% of the Group's total leasable area of all investment properties, the disposal of the project would not exert a material impact on the Group's overall level of rental income. Based on the above-mentioned reasons, we decided to dispose of our ownership interest in SOHO Century Plaza at the time when asset prices were high in the market. The transaction not only served to unlock the asset value and supplement the working capital for the Group, but also proved to the market of the high quality, high liquidity and high value of SOHO China's investment properties.

We believe the excellent property management service can add value to investment properties. It helps to guarantee the high quality and high rent of the investment properties, thereby increasing their value and market liquidity. SOHO China established its property management service in 2010, since then it quickly took over the management of almost all SOHO China's properties, including both previously sold and currently held by the Group. As at the end of 2016, the Group managed 24 projects with a total GFA of approximately 4 million sq.m. in Beijing and Shanghai.

Fresh air system is a must for all SOHO China's buildings and the reading levels of PM2.5 (particulate matter 2.5) in SOHO China's buildings are far below the national standard level in China. We are glad to see people enjoy themselves working under PM2.5 free environment. To improve the efficiency and quality of property management, the Group has developed an energy management system, which made the electricity consumption of SOHO China's buildings approximately 15.8% or 58.49 million kwh lower than the national standard in 2016. The Group took the lead in the industry to implement the equipment and facility management system, which enables us to monitor more than 250,000 equipments and facilities in real-time, to carry out maintenance on a regular basis, to allocate work, as well as to forewarn, discover and solve operational problems with promptness.

In order to meet the office demand in the internet era, SOHO China launched a new generation of shared-office product SOHO 3Q in early 2015. SOHO China has already opened 17 SOHO 3Q centers in our investment properties, with another two under construction, in total offering more than 16,000 seats in Beijing and Shanghai. SOHO 3Q has become the largest shared office in Beijing and Shanghai, providing vibrant business community and flexible office space to over 10,000 entrepreneurs. Tenants of SOHO 3Q come from various thriving industries, including IT, education, finance, consulting, media and culture. In contrast to the weak performance of traditional office leasing market, SOHO 3Q inspired us with robust growth momentum. As at the end of 2016, the average occupancy rate for SOHO 3Q reached approximately 85%.

Amid the rapid development of market and technology, the desire of people for beauty remains unchanged. With persistent adherence to the business principle of honesty, openness and fairness, SOHO China will continue to provide quality office spaces with beautiful architecture, clean environment, convenient facilities and efficient service to the whole society.

BUSINESS REVIEW

The details of rental income and occupancy rates of major investment properties of the Group were as follows:

Projects	Effective Interest	Leasable GFA[1] (sq.m.)	Rental Income 2016 (RMB'000)	Occupancy Rate[2] as of 31 December 2016	Occupancy Rate[2] as of 31 December 2015
Completed Projects – Beijing					
Qianmen Avenue project	100.0%	35,317	97,541	95.8%	81.4%
Wangjing SOHO Tower 3	100.0%	133,766	328,057	97.4%	100.0%
Guanghualu SOHO II	100.0%	94,279	211,973	97.4%	84.7%
Completed Projects – Shanghai					
SOHO Century Plaza[4]	100.0%	42,954	95,450	94.0%	100.0%
SOHO Fuxing Plaza	100.0%	88,234	148,050	96.6%	94.5%
Sky SOHO	100.0%	128,175	143,282	93.6%	72.9%
Hongkou SOHO	100.0%	70,042	79,334	95.4%	33.9%
Bund SOHO	61.5%	73,781	164,670	96.2%	60.5%
SOHO Tianshan Plaza[3]	100.0%	92,769	N/A	N/A	N/A
Projects Under Construction – Beijing and Shanghai					
SOHO Leeza – Beijing	100.0%	133,780	N/A	N/A	N/A
Gubei project – Shanghai	100.0%	113,416	N/A	N/A	N/A

Notes:

1. *Attributable to the Group, excluding hotel area of SOHO Tianshan Plaza*
2. *Occupancy rate for office and retail, including SOHO 3Q (if any)*
3. *Lease inception of SOHO Tianshan Plaza from early 2017*
4. *SOHO Century Plaza disposal transaction was completed in December 2016*

MAJOR PROJECTS IN BEIJING

WANGJING SOHO

Wangjing SOHO is a large-scale office and retail project in the Wangjing area of Beijing consisting of a total GFA of approximately 510,000 sq.m.. The project comprises three towers (Towers 1, 2 and 3), among which Towers 1 and 2 were sold in 2014.

The Group holds Wangjing SOHO Tower 3 with approximately 133,766 sq.m. of leasable area as investment property, of which approximately 123,568 sq.m. are for office use and approximately 10,198 sq.m. are for retail use. Tower 3 was completed in September 2014.

Wangjing area has become the emerging hub for internet companies in northeast of Beijing. Wangjing area is also home to the headquarters of many prestigious multinational companies in the PRC such as Daimler, Siemens, Microsoft and Caterpillar. Wangjing SOHO, with a height of nearly 200 meters, is the first landmark and a point of access to central Beijing from the airport expressway.

GUANGHUALU SOHO II

Guanghualu SOHO II is located at the heart of the central business district in Beijing, close to subway lines 1 and 10. The total GFA of the project is approximately 165,201 sq.m. and total leasable area attributable to the Group is approximately 94,279 sq.m., including approximately 63,308 sq.m. of office area and approximately 30,971 sq.m. of retail area. The project was completed in November 2014. Guanghualu SOHO 3Q, the flagship 3Q for SOHO China, is located on B1 to second floor of Guanghualu SOHO II, totalling 3,621 seats.

QIANMEN AVENUE PROJECT

Qianmen Avenue project is located in the Qianmen area immediate south of Tiananmen Square, within one of the largest "Hutong" (traditional Beijing courtyards) conservation areas in Beijing. We have the right to retail area of approximately 54,691 sq.m., of which approximately 35,317 sq.m. is currently available for lease. The Group has been working towards its goal of developing Qianmen Avenue into a premier "tourist destination". Leveraging on its massive visitor traffic, we aim to continue to attract and retain high-quality tenants that fit the positioning of the project.

SOHO LEEZA

SOHO Leeza is located in the center of the Lize Financial Business District in Beijing. The site is to the south of Lize Road and less than one kilometer away from the West Second Ring Road, and is adjacent to the planned subway lines 14 and 16. Located between Beijing's West Second and Third Ring Roads, the Lize Financial Business District is expected to be developed into Beijing's next financial district, acting as an extension to Beijing's current Financial Street which we believe is one of the most expensive office markets in the world. The Lize Financial Business District is planned to provide quality offices, apartments, exhibition centers, commercial zones and leisure facilities aiming to accommodate the increasing demand arising from the continued expansion of financial companies around the current Financial Street area.

We acquired the land use right for SOHO Leeza project through a successful bid of RMB1.922 billion in September 2013. The Lize Financial Business District is currently home to hundreds of financial institutions and large corporations.

SOHO Leeza has a total planned GFA of approximately 172,800 sq.m., and a total leasable GFA of approximately 133,780 sq.m..

The project is currently under construction. The Group intends to hold SOHO Leeza as investment property.

望京
WANGJING
SOHO

MAJOR PROJECTS IN SHANGHAI

SOHO FUXING PLAZA

SOHO Fuxing Plaza is situated at Huai Hai Road Central, the most vibrant and cosmopolitan commercial street in Shanghai with direct access to subway lines 10 and 13. It is right next to Shanghai Xintiandi, the most bustling and diverse commercial area of Shanghai. SOHO Fuxing Plaza has a total GFA of approximately 135,052 sq.m. and a leasable area of approximately 88,234 sq.m., of which approximately 46,344 sq.m. is for office use and approximately 41,890 sq.m. is for retail use. The project was completed in September 2014.

SKY SOHO

Sky SOHO is located in Shanghai's Hongqiao Linkong Economic Zone, adjacent to the Shanghai Hongqiao transportation hub, which is the convergence point for a variety of transportation systems in Shanghai including Hongqiao International Airport, Hongqiao High-Speed Railway and the subway.

Sky SOHO was completed in November 2014. Following the disposal of approximately half of the total leasable area of Sky SOHO to Ctrip affiliates in September 2014, the Group is holding the remaining parts of the project with a leasable area of approximately 128,175 sq.m., which consists of approximately 103,014 sq.m. of office area and approximately 25,161 sq.m. of retail area, as investment property.

HONGKOU SOHO

Hongkou SOHO is located at the most developed area of the Sichuan North Road commercial district. It is situated at Sichuan North Road Station on subway line 10 and is within 300 meters of Baoshan Road Station, the interchange station for subway lines 3 and 4.

The project has a total GFA of approximately 93,800 sq.m. and a leasable GFA of approximately 70,042 sq.m., including approximately 65,304 sq.m. of office area and approximately 4,738 sq.m. of retail area. The project was completed in July 2015.

BUND SOHO

Bund SOHO is located on the Bund in Shanghai. Bund SOHO is very close to Shanghai's famous City God Temple and next to the Bund's multi-dimensional transportation hub and yacht wharf.

The Group is entitled to a leasable GFA of approximately 73,781 sq.m., including approximately 50,439 sq.m. of office area and approximately 23,342 sq.m. of retail area. The project was completed in August 2015.

SOHO TIANSHAN PLAZA

SOHO Tianshan Plaza is located at a prime location in the Hongqiao Foreign Trade Center in Changning District in Shanghai. The Hongqiao Foreign Trade Center area is Shanghai's first central business district for foreign enterprises and a gathering place for Changning's office, business and high-end residential apartments. In close proximity to the Tianshan Road Commercial Street, SOHO Tianshan Plaza neighbors the Inner Ring and Loushanguan Station on subway line 2.

SOHO Tianshan Plaza has a total GFA of approximately 166,597 sq.m.. The office and retail parts of SOHO Tianshan Plaza were completed in December 2016, with a total leasable GFA of approximately 92,769 sq.m., including approximately 74,727 sq.m. of office area and approximately 18,042 sq.m. of retail area. Additionally, it has a hotel which is under construction with an estimated GFA of approximately 18,981 sq.m..

GUBEI PROJECT

The land for the Gubei project is located in the core area of the Hongqiao Foreign Trade Center in Shanghai's Changning District, only 1km away from SOHO Tianshan Plaza.

We acquired the land use right to this parcel of land through a successful bid of RMB3.19 billion in April 2013. The land is bordered by Yili Road to the east, Hongbaoshi Road to the south, Ma'nao Road to the west and the Hongqiao Road to the north. After completion, the project will be accessible underground from Yili Station on subway line 10 and will be in close proximity to the Gubei Takashimaya Shopping Mall, Gubei Fortuna Plaza and other Grade A office buildings.

The project has a total GFA of approximately 158,648 sq.m., of which above-ground GFA is approximately 113,416 sq.m.. The Group intends to hold the Gubei project as investment property. The project is currently under construction.

SALES OF PROJECT INTERESTS

On 29 July 2016, SOHO (Shanghai) Investment Co., Ltd.* (搜候（上海）投資有限公司) ("SOHO Shanghai"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Guo Hua Life Insurance Co., Ltd.* (國華人壽保險股份有限公司) ("Guo Hua Insurance"), an independent third party, pursuant to which SOHO Shanghai agreed to dispose of its entire ownership interest in SOHO Century Plaza to Guo Hua Insurance at the consideration of RMB3,221,580,750, net of value-added tax. Further details of the above transaction were disclosed in the Company's announcement dated 29 July 2016.

As at the end of 2016, the transaction was completed.

* *For identification purposes only*

THE ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

This is the first Environment, Social and Governance (ESG) report that SOHO China discloses to the public. We aim to engage with stakeholders and enhance mutual understandings through such disclosure of our ESG concepts and practices. This report was prepared with reference to and based on the "comply and explain" provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules and covers the ESG matters of the Group during the Year.

THE ENVIRONMENT, SOCIAL AND GOVERNANCE MANAGEMENT

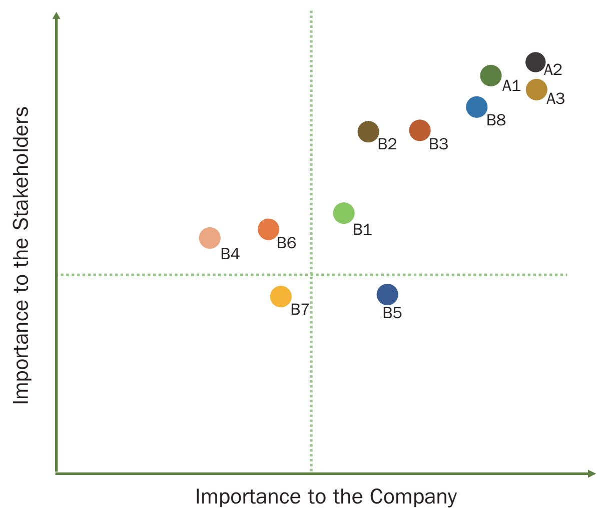
The core concept of SOHO China's ESG management is to help our environment, economy and society to achieve sustainable development. At the same time, we wish to assess and identify stakeholders' rights and provide our society with value-added services. Through this report, we hope to share with our stakeholders and the public about our ESG performance and obtain feedback for future enhancement.

STAKEHOLDER ENGAGEMENT RESPONSE

In order to engage with major stakeholders' most updated needs, SOHO China has been proactively communicating with them and giving positive responses through multi-channels. Our major stakeholders include: Investors & Shareholders, Regulatory Authorities, Employees, Suppliers, Consumers and Community.

Major Stakeholders	Expectations and Requirements	Communication and Responses
Investors & Shareholders	• Return on Investment • Operational Risk Mitigation • Protection of Shareholders' Rights • Information Disclosure	• Improvement in Operation Efficiency • Perfection in Management System • Mutual Trust Building with Investors • Disclosure of Financial Reports Periodically
Regulatory Authorities	• Compliance with relevant laws and regulations • Information Disclosure • Booming Economic Development	• Positively Observing Local Laws and Regulations • Submission of Supervision Reports Periodically • Complying with National Policy and Taxpaying proactively
Employees	• Welfare Benefits • Career Development and Promotion • Occupational Health • Equal Opportunity	• Fair Remuneration • Diversity in Training Channels and Programmes • Protection in Employees' Rights • Public Recruitment

Major Stakeholders	Expectations and Requirements	Communication and Responses
Suppliers	• Honesty and Promise Keeping • Public and Transparent Management • Mutual Benefits	• Sincere Cooperation • Responsible Procurement and Periodical Inspection • Active Communication
Customers	• Honesty and Promise Keeping • Service Quality • Complaint Handling • Consumer Privacy Protection	• Compliance in Sales Services • Control in Service Quality • Mechanism in Complaint Handling • Mechanism in Client Information Privacy Protection
Community	• Charity and Public Welfare • Driving for Community Development	• Organizing Charity Activities • Promoting Educational Charity Work for Local Community



A1: Emissions
A2: Use of Resources
A3: The Environmental and Natural Resources

B1: Employment
B2: Health and Safety
B3: Development and Training
B4: Labour Standards
B5: Supply Chain Management
B6: Product Responsibility
B7: Anti-corruption
B8: Community Investment

ASPECTS A1-A3: ENVIRONMENTAL RESPONSIBILITY

As the largest prime office property developer in Beijing and Shanghai, SOHO China has been exploring different approaches for sustainable development and sees itself as a practitioner on energy saving. In all green building construction projects, SOHO China strictly complies with all relevant national environmental laws and regulations by proactively reducing greenhouse gas emissions and improving waste management.

Green Construction

Regarding projects under construction, SOHO China has adopted LEED (Leadership in Energy and Environmental Design) prerequisites into SOHO China Design Manual since the year of 2012 and integrated into routine design. The LEED-CS (LEED for Core and Shell) Rating System has been applied in new construction and major reconstruction projects. Six categories are evaluated comprehensively by scores, including Sustainable Site, Water Efficiency, Energy & Atmosphere, Materials & Resources, Indoor Environment Quality and Innovation. At present, there are 10 projects certified or pre-certified with LEED-CS with a total certified area of approximately 2.28 million square meters, including Galaxy SOHO, Wangjing SOHO, Guanghualu SOHO, SOHO Fuxing Plaza, Hongkou SOHO, Sky SOHO, Bund SOHO, SOHO Tianshan Plaza, SOHO Leeza, Gubei project.

Reduction in Exhaust Emissions

We have implemented a series of measures to reduce exhaust emissions. Taking material selection for instance, we primarily choose low-volatile materials to reduce harmful, smelly, potentially irritating indoor air pollutants. This would ensure a healthy and comfortable work and living environment for construction installation workers and users. Furthermore, it is forbidden to use refrigerants containing CFC (Chlorofluorocarbons) in ventilation systems, heating systems, air-condition systems and cooling systems. Only coolants that meet national environmental requirements are eligible to be used in the water chiller units. In the designing process of parking lots for buildings, we provide convenient parking spaces for vehicles with low-volatile and energy-efficient fuels. These specially arranged parking spaces account for approximately 5% of total parking capacity. Also preferential policies are applied for such vehicles with approximately 20% reduction in parking charge for at least two years. Moreover, selective refuelling and charging stations are installed to reach approximately 3% of total parking capacity.

Resources Efficiency

We have endorsed a series of related policies and implemented Waste Management System for projects at the construction stage. It ensures that at least 75% of the wastes generated by construction, dismantlement and site clearing are recycled. Recycling materials, such as paper, cardboard, glass, plastic and metal are stored in convenient sites temporarily and eventually passed to relevant qualified third-party companies for treatments.

Water Efficiency

In many SOHO China construction projects, we have taken a set of measures, such as storm water control, flood flow reduction and separation of suspended solids from storm water. Recent advanced sprinkling irrigation technology has been adopted to use collected rainwater and recycled water from buildings for landscape watering. Water saving appliances, such as dual flush toilets and low-flow taps, are installed in office buildings. Induction faucets and flashing valves are also installed in public toilets to reduce the volume of rinse and thus improve water efficiency.

Soil Protection

For all SOHO China projects under construction, control plans are set and implemented to prevent soil erosion and pollution. Prevention of soil erosion and sediment controls are the primary focus. In order to minimise soil erosion and sedimentation impact, measures, such as protection of original vegetation, soil stabilization and installation of sedimentation basin, have been implemented on site.

Green Operation

We have established a series of Energy Saving Management Systems to practise energy efficiency in daily office routines, including Energy Data Management System, Equipment Operation and Energy Saving Regulations for Commune by the Great Wall, SOHO 3Q Energy Saving Management System, and Office Energy Saving Management System, etc. At the same time, SOHO China is proactively integrating domestic and overseas leading practices in green building design into its new Energy Management System as well as initiating SOHO 3Q, a new business mode of office sharing, to reduce environmental impact caused by business operation.

Energy Management System

During the project design process, we have integrated all information related to property developers into a 3D visual model through the introduction of the Energy Management System. Such information system focuses on life cycle assessment of buildings and can deliver project information conveniently and effectively. In order to ensure an optimization of buildings' energy efficiency, 50,000 real-time data collection points of energy consumption, indoor environment, building automation system and video surveillance have been comprehensively analysed and diagnosed. Thus, property developers can avoid wasting time and money of starting all over again due to ambiguous and asymmetric information. At the same time, we also deliver Energy Ranking Management within the company, Energy Saving Achievements and Key Performance Energy Indicators have been publicized on a monthly basis for analysing and diagnosing. Consequently, we have improved our quality of property management, energy consumption control and resource utilization rate. In 2016, 204 weekly and monthly Energy Analysis Reports were completed in total according to a statistical summary. 22 projects with the Energy Management System consumed electricity of approximately 310.89 million kWh with a total saving of approximately 58.59 million kWh and achieved an efficiency rate of approximately 15.8%.

Equipment and Facility Management Platform

We have established an Equipment and Facility Management System to deliver an Equipment and Facility Management Platform with related measures for all projects. It includes Standardized Information Management for Daily Accounts, Standardized Inspection Management and Standardized Maintenance Management. For example, through this platform management, 250,000 equipment and facilities have been managed orderly and their life spans are thus extended, together with a reduction in energy consumption and an increase in resources utilization.

Statistically compared with the National Standard of Energy Saving for Buildings, approximately 310.890 million kWh of electricity was consumed in total from 22 projects and approximately 58.49 million kWh of electricity was saved with an efficiency rate of approximately 15.8%. Additionally, approximately 143.61 million kWh of electricity was consumed by public space from 23 projects and approximately 104.38 million kWh of electricity was consumed by public space from 19 comparable projects with an approximately 9.9% efficiency rate. Comparing with the same period in 2015, approximately 11.59 million kWh of electricity was saved.

Reduction in Greenhouse Gas Emissions

We have been proactively participating in voluntary reduction of greenhouse gas emission transactions and strictly observe 'Interim Measures for the Administration of Voluntary Greenhouse Gas Emissions Reduction Transactions', which was issued by the National Development and Reform Commission of the People's Republic of China. Taking Wangjing SOHO for instance, full life cycle approach in energy saving measures was adopted in the aspects of building design, construction, management, adjustment for optimization and verification. Additionally, the implementation of energy management system has been applied in post management adjustment stage.

Efficient reduction in greenhouse gas emissions and conservation of electricity and heating have been achieved by the following technologies: external shading for curtain walls system with LOW-E (Low-Emissivity) glass, highly efficient chiller for air-condition systems, double-frequency conversion water pumps, joint-frequency conversion fans running in cooling towers, fresh air full heat recycling systems, synchronous gearless motors and group control systems in elevator systems, indoor air quality control, public lighting system control, rectification measures of electric tracer heating systems in basement parking, optimization in cooling station operation and reduction in air infiltration of enclosure structure and etc.

Wangjing SOHO is able to achieve annual energy saving of approximately 24.02 million kWh, equivalent to the volume of CO_2 inhaled by 8.3 Olympic Forest Parks in one year. If 1,000 buildings, with the similar size of Wangjing SOHO, could apply with such energy saving standard, approximately 24 billion kWh of annual electricity consumption could be saved with an equivalence to approximately 3.4 times of the CO_2 intake volume from all forests in Beijing annually, or equal to CO_2 emission from approximately 3 million cars for one year.

SOHO 3Q

SOHO 3Q is a new office mode that we initiated at the era of sharing economy. Through standardized concentrated design and time sharing in public areas, it allows SOHO 3Q to optimize space utilization and the number of people using the space. SOHO 3Q not only provides fashionable, flexible and convenient services for clients, but also reduces energy consumption per capita. Through the transition of business model, SOHO China contributes even bigger impact in energy saving and emission reduction.

Since such services were introduced in 2015, SOHO China has become the largest office sharing space in China. By the end of 2016, there had been around 17,000 seats in 19 SOHO 3Q centres located at the core areas of Beijing and Shanghai. Hypothetically, if 10% of traditional office allots can be transferred into this office sharing mode, 5 million extra people can be provided by current capacity.

	Per capita office area (Square meters/person)
Traditional Office Allots	10
Shared Office Allots	5.5

ASPECT B1: EMPLOYMENT

SOHO China's employees are all key to maintaining our competitiveness and delivering best service to clients. We are committed to hiring qualified candidates and offering employment and staff promotion without regard to gender, race, religious, religion, sexual orientation or any factor prohibited by '*Labour Law of the People's Republic of China*', '*Law of the People's Republic of China on the Protection on Minors*' etc., and affirm our recruitment policy and practice to support and promote the concept of equal employment opportunity in accordance with applicable national and local laws and regulations. We initiate working relationship with full-time permanent employees by signing a formal employment contract to ensure their statutory rights such as working conditions, compensation, maternity leave and a range of other rights. We also provide statutory rights to temporary employees. We confirmed that there is no illegal working at SOHO China in 2016, only one arbitration case in Shanghai branch.

In 2016, 2,237 people were employed by SOHO China, 741 of whom were women or 33.12% of total employees. Approximately 25.4% of the senior management were female.

	Total Headcount 2016
Total Headcount	2,237
Male	1,496
Female	741

	Total Headcount by age group 2016
20-29 years old	833
30-39 years old	981
40-49 years old	347
50-59 years old	74
60 years old or above	2

Employee compensation and welfare

We provide comprehensive compensation and benefits to our employees, such as housing fund, social benefits, and medical care and insurance in accordance with the state's requirements as well as extra life insurance from insurance company. In 2016, we developed the Monthly Performance Based System to further attract, retain and motivate qualified talents. Employees are required to submit KPI data into system every month and the senior management evaluates solely based on skills, experience and job performance to ensure every employee is evaluated objectively. Employee with high performance will be qualified for an extra bonus.

We strive to offer our employees a positive work environment and a healthy work-life balance. In addition to leaves and holidays provided by the state and local laws and regulations, we also offer additional annual leaves and special facilities, such as physical examination, dental care and recreational events.

ASPECT B2: HEALTH AND SAFETY

We are committed to maintaining a healthy and safe work environment by complying with applicable laws and regulations. To ensure employees' safety at work, we have also endorsed "Quality, Environmental, Health and Safety Manual" as a guidance on safety monitoring, fire drills operation procedures and emergency fire drill operation guidelines. Additionally, Fire Alarm System, Gas Alarm System, Emergency Light System and Emergency Exit System have been implemented. We also conduct inspection periodically on fire extinguishers and elevators to ensure their operation efficiency. For aerial window cleaning operation, we carry out a set of procedures that cover aerial safety training planning and aerial safety working process standard to ensure all work is performed in accordance with the Group's policies.

OHSAS18001 certification has been obtained as a guidance for our health and safety management system. We require the designated staff to take part in identifying potential safety risks at work place every month, and to conduct daily management of building's road, footpaths and any public area. As well as displaying every warning sign properly. Beside, staff from the property management department are required to participate in safety training sessions and fire drills. Periodically, we organize emergency drills to increase the awareness of self-protection and the capability of providing proper responses in case of emergency.

SOHO China property has been regularly audited by China Quality Certification Centre regarding its Quality, Environmental, Health and Safety Management System and evaluated its performance in accordance with applicable laws and regulations. So far, SOHO China has not incurred any issue against the related laws and regulations.

We offer comprehensive annual physical examination to every employee, the employee physical examination includes an examination of the internal organs and liver function, and the blood routine examination.

We particularly provide staff who spend most of the working time outdoor with precautionary safety measures against extreme summer heat and winter coldness. We also provide noise cancelling ear plugs, insulated boots and gloves, and antistatic clothing to our staff who experience high risks under the exposure of noise and high voltage.

We endeavour to create a workplace that accommodates employees' different needs, especially for our female employees. We go beyond regulatory requirements to provide rotation opportunity for new mothers to undertake a new job role which is more suitable for their physical condition, we also allow new mothers to dress less formally and give them an extra break for breastfeeding.

No confirmed case of violation relating to the relevant law and regulations in safe work environment was recorded within the Group in 2016.

ASPECT B3: DEVELOPMENT AND TRAINING

Training and Continual Development

We believe that investing in personal and professional development is part of the reason why SOHO China stays ahead among market competitions. In accordance with the Company's business strategy planning and skill requirements of three business lines: SOHO Property, Commune by the Great Wall and SOHO 3Q, we have developed the cross-business-unit Knowledge Learning Platform which is our attempt to professionalize training services covering technology, safety, and corporate culture. The training session is delivered by online courses, classroom participations and monthly testing. Meanwhile, we encourage employees to develop courses from diverse disciplines based on their work experience and expertise, which not only save a certain of cost for purchasing training sources, but also create an efficient way to accumulate unique and precious expertise for the Company.

Knowledge Learning Platform

The Knowledge Learning Platform is an online interactive platform that provides various disciplinary courses for employees to initiate training activities from any time, any place. The HR Department is responsible for developing and maintaining the platform.

ASPECT B4: LABOUR STANDARDS

Human rights

We are committed to protecting human rights of every employee by complying with relevant laws and regulations. We strive to create a work place of respect and fairness for our people and strictly forbidding the use of forced labour and child labour in business operation. In 2016, there was no case of violation relating to the relevant laws and regulations in discrimination, forced labour or child labour identified within the Group.

ASPECT B5: SUPPLY CHAIN MANAGEMENT

We launched the Procurement Management System as part of our commitment to integrating an "Open, Equal and Fair" strategy into supply chain management. All documents in tendering process are disclosed on our website to ensure transparency. We have built relationship with our suppliers who provide us with a variety of goods, equipment, materials and services. Our suppliers are required to comply with and adhere to our ESG standards and procurement policy as well as applicable laws and regulations. In this way, we work with our suppliers to reduce social and environmental impacts. SOHO China Commitment, which is incorporated into contract with our suppliers, requires them to comply with relevant laws and regulations and accept SOHO China's periodical assessment. Once there is any violation of laws, regulations or our procurement policy, we will cease business relationship immediately.

Requirements

We have set out a series of qualification requirements for SOHO China's suppliers, including providing their legal licenses or legal documentations, certifications and other related documents. We also prepare the standard guide for tender documents for every open tender, with precise and clear specifications.

Assessments

We oversee and monitor suppliers' performance by implementing a comprehensive rating system. Based on the type of suppliers, we set out evaluating mechanism to assess suppliers' performance in partnership with SOHO China. We reward suppliers with rating above 70 points, but subject to the contractual terms, we may hold the payment temporarily for suppliers with a rating below 70 points until proper adjustments have been made.

Data management

The integration of supply chain management and ERP (Enterprise Resource Planning) gives us the ability to gain great visibility into all suppliers' data and accessibility to conduct joint tender and centralized procurement. Besides, we have implemented the Business Intelligence System to collect and analyse data, eventually improve and optimize decisions and performance in supply chain management.

ASPECT B6: PRODUCT RESPONSIBILITY

Intellectual Property

We respect intellectual property and require our employees to comply with applicable legal requirements relating to the collecting, holding, processing and disclosure and use of intellectual property. To further protect our intellectual property in partnership with other institutions, we strictly add privacy policy in contract to ensure proper protection in place. No confirmed intellectual property violation related incidents were recorded within the Group in 2016.

Customer Information Privacy

We regard customer privacy and data security as the key operating principle in terms of complying with all relevant laws and regulations. We have implemented a set of procedures to protect customer information, such as strictly forbidding selling customer information to any third party, and only granting limited access to authorized persons with legal documents for query purpose to ensure personal data security. Meanwhile, we also established a robust governance structure by assigning individual staff to monitor all our customer information, and we have in place a data security management system that is verified by external party to ensure its effectiveness and efficiency. We have endorsed a policy "SOHO China Internet Privacy" to further strength our security measures.

No confirmed case of violation relating to the relevant law and regulations in personal data privacy was recorded within the Group in 2016.

Customer Service

We are committed to driving continual improvement in our quality customer services, by launching the nationwide Customer Service Centre and Customer Service Hotline. We are able to keep close contact with our customers at any time. The Customer Service Centre integrates customer complaints and suggestions into daily reports. The reports are submitted to related departments for solutions. The Senior Management reviews and assesses our customer service performance both from frontline staff and customer feedbacks.

	Customer Service	
Item	2015	**2016**
Complaints (units)	203	**85**
Customer Satisfaction (%/points)	98.24%	**94.75 points**

Note: The Customer Satisfaction was changed from percentage measurement to 100 points measurement since 2016.

Responsible Advertising and Labelling

We are committed to adhering to applicable state and local laws and regulations in advertising and labelling. By endorsing a series of internal policies and procedures, we have established a comprehensive promotion system that not only ensures there is no non-compliance case reported, but also promotes the innovation and creativeness of our marketing plan. In 2016, we also newly endorsed a policy that focuses on identifying and reporting of fake SOHO China website to ensure the accuracy of any information that is disclosed by us.

In order to improve the management of SOHO China's registered trademarks and to protect the exclusive right to use, we have implemented procedures such as applying all registered trademarks in business operation unit at least once in every 3 years to prevent unpredicted occupation from other company in accordance with applicable laws. Also we hired an external legal consulting firm to look up for any fake, fraudulent or illegal trademark related issues that may bring risks to SOHO China. Meanwhile, we also carefully assess and review our business partners of SOHO 3Q to ensure there is no potential trademark issues.

No confirmed case of violation relating to the relevant laws and regulations in advertising and labelling was recorded within the Group in 2016.

ASPECT B7: ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING

We require our employees to comply with applicable laws and regulations on anti-corruption and anti-money laundering. We are also committed to maintaining a high level of corporate governance, and a risk management framework is in place to ensure transparency. Our Code of Conduct outlines our operating principles, and guides the Group and its employees to maintain high standards of business ethics. Key staff are required to attend annual training on business ethics regarding the Code of Conduct, as well as participating in the testing session which is related to employees' promotion.

We require all subsidiaries to strictly apply the PRC Accounting Standards to strengthen financial management. We have also established channels through which employees and other parties can anonymously report misbehaviours that violate relevant laws and regulations and our policies.

We have adopted comprehensive mechanisms to ensure that ethical business practices are adopted when our employees deal with suppliers. Our internal policy strictly requires suppliers to declare any conflict of interest. Suppliers identified with unethical practices are penalized and we will file reports to government authorities as well as put the supplier to our blacklist. No confirmed corruption or money-laundering related incidents were identified in our operations in 2016.

ASPECT B8: COMMUNITY INVESTMENT

Talents Cultivation

The SOHO China Foundation was established in 2005 as a philanthropic organization, which was solely funded and operated by SOHO China itself. Our mission is to facilitate both material and immaterial progress for the society. In order to cultivate future talents, SOHO China has delivered several educational charity projects to benefit students.

Children's Virtues Project

The Children's Virtues Project is designed to awaken a sense of personal and communal responsibilities among children and spark their drive for excellence. Children from kindergarten to grade three engage in character-building exercises which highlight different virtues, such as courtesy, responsibility, truthfulness, and helpfulness. The Children's Virtues Project is specifically developed to target early education and focuses on how children of different ages process and learn with a curriculum comprised of songs, games and interactive activities to learn cultivate virtues.

To support teachers who have been trained in the Children's Virtues Project in their teaching, the Children's Virtues Project sends trainers three to four times each year to observe classes, and engage with both teachers and students to continually strengthen virtues training and to localize virtues teaching.

The Bathroom Construction Campaign Project

As 'cleanliness' was one of the 19 virtues stressed by our Children's Virtues Project and aimed to improve poor conditions of bathroom facilities in schools of Tianshui City of Gansu Province. SOHO China Foundation undertook the 'Bathroom Construction Campaign' in tandem with the Children's Virtues Project as 'Children's Virtues Project – Bathroom Construction Campaign'. From the visits to Tianshui School Children's Virtues Project, SOHO China Foundation found that many school bathrooms were old and shabby with poor sanitary conditions such as no running water to wash hands. What is worse, some buildings only met C or D level sanitary standards with bathrooms falling apart and caving in. As at the end of 2016, 35,000 children had benefited from the construction of 15 water closets and 30 dry latrines.

The Futures Brightened through Helping Hands Project

SOHO China strives to help university students from low-income families out of real difficulties by offering them part of tuition and living allowances. Beneficiaries of this project have good academic performance, outstanding quality and financial needs. We also encourage scholarship recipients to give back to the society through volunteer charity work and participation in public welfare activities. Since 2009, Soho China Foundation has sponsored more than 3,200 underprivileged university students from rural areas.

SOHO China Scholarships

SOHO China Scholarships project pledges to endow USD100 million for students with financial aids to obtain undergraduate education at the world's top universities. Our mission is to provide the best education in the world for China's most outstanding students with financial support. The SOHO China Scholarships focuses on supporting impoverished undergraduate students, as we believe that it is hard to access financial aid during undergraduate study and it is the most important time for a student.

SOHO China Scholarships is actively raising public awareness about 'Need Blind Admissions' policies at top international universities, and encourages the best Chinese students to apply. SOHO China Scholarships also provides assistance to students who need support in the university application and admissions process. In 2014, SOHO China Scholarships signed the endowment agreement with Harvard University and Yale University to support students from there with financial aid. The first 8 SOHO China Scholars came from Harvard University, and were awarded with scholarships in the autumn of 2014. In 2015, another 16 SOHO China Scholars were from Harvard University and Yale University. In 2016, there were 31 students from Harvard University and Yale University financially aided by SOHO China Scholarships Program. At the same time, SOHO China Scholarships is actively seeking partnerships with leading international universities to expand this initiative.

The Teach for China Project

The SOHO China Foundation is focusing on education in poverty area while Teach for China is a professional non-profit education organization that was founded on the belief that education inequity can and must be solved. In the communities where Teach for China project is implemented, classrooms are overcrowded, teachers are undertrained, and students' academic performance largely lags behind the average national education level. It is hard for such rural students to change their destiny through education, with such little education resources which they can access to comparing with their urban peers. Teach for China draws on young leaders from leading universities in the US and China to teach for two academic years for communities with underserved education in rural Yunnan and Guangdong provinces. These talented and passionate young people help close the achievement gap between these rural students and their urban peers. In return, SOHO China provided internship opportunities for these young talents to gain experience in related field.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Turnover

Turnover in 2016 was approximately RMB1,577 million, representing an increase of approximately RMB582 million or 58% as compared with approximately RMB995 million in 2015. This was mainly attributable to the significant increase of rental income due to the improvement in the occupancy rates of Guanghualu SOHO II, Bund SOHO, Hongkou SOHO, Sky SOHO, etc during the Year.

Property lease

Rental income in 2016 was approximately RMB1,511 million, representing an increase of approximately RMB459 million or 44% as compared with approximately RMB1,052 million in 2015.

Profitability

Gross profit for 2016 was approximately RMB1,242 million, representing an increase of approximately 69% as compared with approximately RMB734 million in 2015. The increase was mainly due to the growth in rental income. Gross profit margin for 2016 was approximately 79% (2015: approximately 74%).

Profit before taxation for 2016 was approximately RMB1,999 million, representing an increase of approximately 42% as compared with approximately RMB1,407 million in 2015.

Net profit attributable to the equity shareholders of the Company for 2016 was approximately RMB910 million, representing an increase of approximately 69% as compared with 2015. During the Year, the Group incurred extraordinary finance expenses of approximately RMB360 million in relation to prepayment of offshore debts.

Cost control

Selling expenses for 2016 was approximately RMB62 million, representing a decrease of approximately 10% as compared with approximately RMB69 million in 2015, due to the Group's stricter cost control during the Year.

Administrative expenses for 2016 was approximately RMB265 million, representing an increase of approximately 6% as compared with approximately RMB251 million in 2015. The increase was driven mainly by the increase in operational and administration expenses in relation to SOHO 3Q's development.

Finance income and expenses

Finance income for 2016 was approximately RMB121 million, as compared with approximately RMB380 million in 2015. The decrease was mainly due to the lower cash position and market interest rates during the Year.

Finance expenses for 2016 were approximately RMB821 million, including extraordinary expenses of approximately RMB360 million in relation to prepayment of offshore debts. As compared with approximately RMB927 million in 2015, the decrease in 2016 was mainly due to a lower level of debt balance and lower funding cost.

Valuation gains on investment properties

Valuation gains on investment properties for 2016 were approximately RMB1,270 million, including the valuation gains from the completion of the office and retail parts of SOHO Tianshan Plaza.

Income tax

Income tax of the Group for 2016 comprised the PRC Corporate Income Tax, the Land Appreciation Tax and the Deferred Tax. PRC Corporate Income Tax for 2016 was approximately RMB1,091 million, representing an increase of approximately RMB247 million as compared with approximately RMB844 million in 2015. Land Appreciation Tax for 2016 was approximately RMB312 million, representing an increase of approximately RMB239 million as compared with approximately RMB73 million in 2015 due to the disposal of SOHO Century Plaza project during the Year. Deferred Tax for 2016 was approximately RMB205 million, representing a decrease of approximately RMB48 million as compared with approximately RMB253 million in 2015.

Senior notes, corporate bonds, bank loans and collaterals

As disclosed in the Company's announcements dated 7 April 2016 and 6 June 2016, out of the US$400 million 7.125% senior notes due 2022 (the "2022 Notes"), the remaining outstanding principal amount of US$253,269,000 were redeemed in full on 6 June 2016 (the "Redemption"). Upon completion of the Redemption, the 2022 Notes were cancelled.

As disclosed in the Company's announcements on 13 November 2015, 6 January 2016 and 22 January 2016, Beijing Wangjing SOHO Real Estate Co., Ltd.* (北京望京搜候房地產有限公司) ("Beijing Wangjing"), a wholly-owned subsidiary of the Company, announced to issue the domestic corporate bonds in the PRC with the aggregate principal amount of RMB3 billion at the coupon rate of 3.45% for a term of three years. As at 31 December 2016, the amount of the corporate bonds was approximately RMB2,989 million.

As at 31 December 2016, the bank loans of the Group were approximately RMB12,447 million. Among the bank loans, approximately RMB2,955 million are due within one year, approximately RMB641 million are due after one year but within two years, approximately RMB2,679 million are due after two years but within five years and approximately RMB6,172 million are due after five years. As at 31 December 2016, bank loans of approximately RMB12,447 million of the Group were collateralized by the Group's land use rights, properties and restricted bank deposits.

As at 31 December 2016, the Group had senior notes, corporate bonds and bank loans of approximately RMB15,436 million, equivalent to approximately 23% of the total assets (31 December 2015: approximately 25%), net debt (bank loans + senior notes + corporate bonds – cash and cash equivalents and bank deposits) to equity attributable to owners of the Company ratio was approximately 32% (31 December 2015: approximately 24%).

Risks of foreign exchange fluctuation and interest rate

The Group conducts its business primarily in Renminbi. Certain bank deposits and bank loans were denominated in Hong Kong dollars and US dollars. In order to optimize the debt structure and control the risk from fluctuations of offshore and onshore market interest rates and exchange rates, during the Year, the Group prepaid syndicated loans of US$644 million and HK$4,050 million and redeemed senior notes with the aggregate principal amount of approximately US$253 million, which brought the proportion of offshore foreign currency borrowing down to only approximately 7% of the total debt at the end of 2016 (as at 31 December 2015: approximately 56%). The Company has successfully lowered the funding cost to approximately 4.4% as at 31 December 2016. During the Year, the Group's operating cash flow and liquidity had not been subject to significant influence from the fluctuations in exchange rate.

Contingent liabilities

As of 31 December 2016, the Group had entered into agreements with certain banks to provide guarantees in respect of mortgage loans provided to buyers of property units. The amount of guaranteed mortgage loans relating to such agreements was approximately RMB2,286 million as of 31 December 2016 (approximately RMB4,482 million as of 31 December 2015).

* *For identification purposes only*

As at 31 December 2016, the Group provided guarantees to one of its subsidiary (2015: nil) with respect to its corporate bonds with the principal amount of RMB3 billion (2015: nil).

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in its ordinary course of business. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, based on the information currently available and to the best knowledge, information and belief of the Board, any resulting liabilities will not have a material adverse effect on the financial position, liquidity or operating results of the Group.

Capital commitment

As at 31 December 2016, the Group's total capital commitment for properties under development were approximately RMB3,775 million (approximately RMB5,553 million as at 31 December 2015). The amount mainly comprised the contracted and the authorised but not contracted development cost of the existing projects.

Employees and remuneration policy

As at 31 December 2016, the Group had 2,237 employees, including 217 employees for Commune by the Great Wall and 1,683 employees for the property management company.

The remuneration package of the Group's employees includes basic salary and bonuses. Bonuses are determined on a monthly basis based on performance reviews. The remuneration of leasing employees consists of performance-based commissions and bonus. Pursuant to the terms of the share option scheme adopted by the Company on 14 September 2007, the Company granted share options to various directors and employees. The Company adopted the share award scheme (the "Employees' Share Award Scheme") on 23 December 2010 as part of its employees' remuneration package, and had granted Shares of the Company to various employees, including various Directors pursuant to the rules of the Employees' Share Award Scheme.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Group include investment in real estate development, property leasing and property management. More information of the principal activities of the Group during the Year is set out in the section headed "Business Review" of this report. There were no significant changes in the nature of the Group's principal activities during the Year.

RESULTS AND DIVIDENDS

The Group's profit for the Year and the financial status of the Company and the Group as at 31 December 2016 are set out in the audited consolidated financial statements.

On 17 August 2016, the Board recommended the declaration and payment of a special dividend of RMB0.19 per Share to the Shareholders of the Company which has been approved by Shareholders at the extraordinary general meeting of the Company held on 27 September 2016.

On 23 March 2017, the Board recommended the declaration and payment of a special dividend of RMB0.346 per Share out of the share premium account of the Company which is subject to Shareholders' approval at the AGM to be held on Friday, 26 May 2017. The Board did not recommend the declaration of final dividend for the year ended 31 December 2016 (2015: nil).

FINANCIAL INFORMATION SUMMARY

A summary of the published financial results of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

Consolidated income statement for the years ended 31 December:

	2016	2015	2014	2013	2012 (Restated)
RMB'000					
Turnover	**1,577,215**	995,165	6,098,088	14,621,436	16,142,984
Profit before taxation	**1,999,350**	1,407,468	6,689,396	12,470,385	18,194,772
Income tax	**(1,090,610)**	(843,996)	(2,537,935)	(5,034,304)	(7,547,921)
Profit for the year	**908,740**	563,472	4,151,461	7,436,081	10,646,851
Attributable to:					
Equity shareholders of the Company	**910,232**	537,632	4,079,831	7,388,049	10,584,876
Non-controlling interests	**(1,492)**	25,840	71,630	48,032	61,975
Basic earnings per share (RMB)	**0.175**	0.104	0.781	1.492	2.051
Diluted earnings per share (RMB)	**0.175**	0.104	0.780	1.404	1.897
Interim dividend per share (RMB)	**–**	–	0.12	0.12	0.12
Final dividend per share (RMB)	**–**	–	0.13	0.13	0.13
Special dividend per share* (RMB)	**0.536**	0.696	–	–	–

Note: Include special dividend announced in August 2016 and March 2017, with the amount of RMB0.19 per Share and RMB0.346 per Share respectively.*

Consolidated balance sheet as at 31 December:

	2016	2015	2014	2013	2012
RMB'000					
Non-current assets	**58,263,115**	57,714,069	59,088,013	55,810,572	45,205,058
Current assets	**9,142,730**	14,118,003	17,731,159	22,012,453	35,372,513
Current liabilities	**12,813,107**	12,007,112	11,516,800	19,251,402	25,046,565
Net current (liabilities)/assets	**(3,670,377)**	2,110,891	6,214,359	2,761,051	10,325,948
Total assets less current liabilities	**54,592,738**	59,824,960	65,302,372	58,571,623	55,531,006
Non-current liabilities	**18,945,061**	22,102,432	24,842,404	20,085,828	23,820,544
Net assets	**35,647,677**	37,722,528	40,459,968	38,485,795	31,710,462
Share capital	**106,112**	106,112	106,112	107,868	106,029
Reserves	**34,432,900**	36,493,759	39,257,039	37,352,740	30,593,478
Total equity attributable to equity shareholders of the Company	**34,539,012**	36,599,871	39,363,151	37,460,608	30,699,507
Non-controlling interests	**1,108,665**	1,122,657	1,096,817	1,025,187	1,010,955
Total equity	**35,647,677**	37,722,528	40,459,968	38,485,795	31,710,462

SHARE CAPITAL AND SHARE OPTIONS

Details of changes in the Company's share capital and share options during the Year and details of the pre-IPO share option scheme approved by the Shareholders of the Company on 14 September 2007 (the "Pre-IPO Share Option Scheme") and the post-IPO share option scheme approved by the Shareholders of the Company on 14 September 2007 (the "Share Option Scheme") are set out in Notes 26 and 27 to the audited consolidated financial statements.

RESERVES

Details of changes in the reserves of the Company and the Group during the Year are set out in the consolidated statements of changes in equity.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and there are no restrictions against such rights under the laws of the Cayman Islands.

PROPERTY AND EQUIPMENT

Details of changes in property and equipment of the Group during the Year are set out in Note 12 to the audited consolidated financial statements.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 27 September 2013, the Company, as borrower, entered into a credit agreement (the "2013 Credit Agreement") with a syndicate of banks for US$415 million and HK$4,263 million (equivalent to approximately US$550 million) (the "Total Commitments of 2013 Syndicated Loan") 4-year transferable term loan facilities (the "2013 Syndicated Loan"). On 7 March 2016, the Company prepaid all the outstanding 2013 Syndicated Loan.

On 24 June 2014, the Company, as borrower, entered into a credit agreement (the "June 2014 Credit Agreement") with a syndicate of banks for the US$250 million (the "Total Commitments of 2014 Syndicated Loan") 5-year transferable term loan facilities (the "2014 Syndicated Loan"). On 4 March 2016, the Company prepaid all the outstanding 2014 Syndicated Loan in advance.

On 18 November 2014, the Company, as borrower, entered into a credit agreement (the "November 2014 Credit Agreement") with a bank for the HK$1,170 million (the "Total Commitments of 2014 Bilateral Loan") 5-year transferable term loan facilities (the "2014 Bilateral Loan").

Pursuant to the terms of the 2013 Credit Agreement, the June 2014 Credit Agreement, and the November 2014 Credit Agreement, the Company as borrower and certain subsidiaries of the Company, as guarantors, must, among others, procure that:

1. Mr. Pan Shiyi ("Mr. Pan") and Mrs. Pan Zhang Xin Marita ("Ms. Zhang"), directly or indirectly through The Little Brothers Settlement (the "Trust") constituted on 25 November 2005 by a deed of settlement between Ms. Zhang as settlor and HSBC International Trustee Limited as original trustee, which has been changed to Cititrust Private Trust (Cayman) Limited since January 2016, and under which Ms. Zhang is also the protector and a beneficiary, in aggregate, remain the beneficial ownership of not less than 51% of the entire issued share capital of the Company; and

2. (i) Mr. Pan or Ms. Zhang remains as the chairman of the Company at all times; or (ii) Mr. Pan or Ms. Zhang remains as the chief executive officer of the Company at all times, unless the chairman or the chief executive officer is replaced by a person approved by the majority lenders within 30 days from the date each of Mr. Pan and Ms. Zhang ceases to be either the chairman or the chief executive officer of the Company (as the case may be).

Failing that, among other things, all or part of the Total Commitments of 2013 Syndicated Loan, the Total Commitments of 2014 Syndicated Loan and the Total Commitments of 2014 Bilateral Loan may be cancelled and/or all outstanding liabilities of the Company under the 2013 Credit Agreement, the June 2014 Credit Agreement, and the November 2014 Credit Agreement and/or other documentation in relation to the 2013 Syndicated Loan, the 2014 Syndicated Loan and the 2014 Bilateral Loan will become immediately due and payable. As at 31 December 2016, the Trust is the beneficial owner of approximately 63.9309% of the entire issued share capital of the Company.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report are:

Executive Directors

Mr. Pan Shiyi *(Chairman)*
Mrs. Pan Zhang Xin Marita *(Chief Executive Officer)*
Ms. Yan Yan *(President)*
Ms. Tong Ching Mau (appointed on 18 May 2016)

Independent non-executive Directors ("INEDs")

Mr. Sun Qiang Chang
Mr. Cha Mou Zing, Victor
Mr. Xiong Ming Hua

Each of Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita has entered into a service contract with the Company for a term of three years commencing from 1 January 2017, which may be terminated by either party by serving not less than one month's prior written notice. Each of Ms. Yan Yan and Ms. Tong Ching Mau has entered into a service contract with the Company commencing from 7 November 2015 and 18 May 2016 respectively, which may be terminated by either party thereto giving to the other party not less than one month's prior written notice.

Save as disclosed above, no Director standing for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any such subsidiary within one year without payment of compensation other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Executive Directors

Mr. Pan Shiyi

Chairman of the Board

Mr. Pan Shiyi, aged 54, is an executive Director and Chairman of the Board. Mr. Pan co-founded Redstone Industry Co., Ltd., the predecessor of the Company, in 1995. Since then he has led, together with his wife, Mrs. Pan Zhang Xin Marita, the development of all of the Company's projects, and developed the Company into the largest Grade A office developer in Beijing and Shanghai. In 2015, Mr. Pan introduced SOHO3Q, a flexible and convenient new product, leading the trend of sharing of offices in the mobile internet era.

In 2014, SOHO China Foundation launched the SOHO China Scholarships Program, a USD100 million initiative supporting financial aid for Chinese students at leading international universities.

Mr. Pan was elected as "Real Estate Person of the Year" by sina.com in 2009 and 2010, Ernst & Young Entrepreneur of the Year China 2008, one of the "Top Ten Influential Figures in Real Estate Industry" by sina.com in 2004 and 2006, and one of the "25 most influential business leaders" in China by Fortune (China) Magazine in 2005. In 2011, Mr. Pan was selected again as "Real Estate Person of the Year" by sina.com and in 2012, and he was selected as "China Real Estate Leader of the Year on Weibo" by sina.com. In June 2013, Mr. Pan was awarded the "Jury's special" of the 5th SEE-TNC Ecology Award. In December 2013, Mr. Pan was selected as "The Most Social Responsible Person in Real Estate" by Tencent.com. In 2014, Mr. Pan was selected as one of the "Philanthropic Faces of the Year" by People magazine. In 2015, Mr. Pan was invited by Mr. Bill Gates to join the Breakthrough Energy Ventures fund. In 2016, Mr. Pan was listed on the "CBN Innovation 50" by CBN Weekly.

Mrs. Pan Zhang Xin Marita

Chief Executive Officer

Mrs. Pan Zhang Xin Marita, aged 51, is an executive Director and the Chief Executive Officer of the Company. Ms. Zhang co-founded Redstone Industry Co., Ltd., the predecessor of the Company, in 1995 and has since led, together with her husband Mr. Pan Shiyi, the development of all of the Company's projects.

Ms. Zhang was selected by the Davos World Economic Forum as a Young Global Leader in 2005, and her efforts to promote the development of architecture in Asia, earned her the Special Prize to an Individual Patron of Architectural Award at la Biennale di Venezia in 2002. Ms. Zhang has been listed repeatedly among the world's most powerful women in business by publications including the Forbes Magazine, Fortune and the Financial Times Newspaper. Recognized as a key opinion leader in business, design and architecture, Ms. Zhang sits on the Council on Foreign Relations Global Board of Advisors and the Harvard University Global Advisory Council.

In 2005, Ms. Zhang and her husband Pan Shiyi established the SOHO China Foundation, a charity organization guided by the mission of advancing education as a means to alleviate poverty. In 2014, the SOHO China Foundation launched the SOHO China Scholarships, a USD100 million initiative supporting underprivileged Chinese students who wish to pursue education at leading international universities.

Ms. Yan Yan

President

Ms. Yan Yan, aged 53, is an executive Director and the Company's President. She is responsible for the business development and overall management of the Company. Ms. Yan joined the Company in December 1996 and had acted as the Company's Chief Operating Officer and Chief Financial Officer prior to her present position. Ms. Yan received a Bachelor of Civil Engineering degree from Tianjin University in 1986. She has over twenty years of relevant experience in the real estate development industry in China.

Ms. Tong Ching Mau

Chief Financial Officer

Ms. Tong Ching Mau, aged 47, is an executive Director and the Chief Financial Officer of the Company. Ms. Tong is responsible for financial management, investor relations and corporate finance of the Company. Ms. Tong has served the Company for more than ten years in total. Prior to joining the Company in 2002, Ms. Tong worked in the investment banking division of Credit Suisse First Boston in New York. Ms. Tong left the Company in 2014 and prior to rejoining the Company in 2016, Ms. Tong was the vice general manager of Red Star Macalline Group Corporation Ltd. Ms. Tong received a Master of Business Administration degree from Yale University, and a Master and a Bachelor degree of Economics from Fudan University in Shanghai.

Independent non-executive Directors

Mr. Sun Qiang Chang

Mr. Sun Qiang Chang, aged 60, is an independent non-executive Director. He is the founder and current chairman of the China Venture Capital and Private Equity Association, and founder and executive vice chairman of China Real Estate Developers and Investors Association. He is also a member of the Asia Executive Board of the Wharton School, a member of the Asia Pacific Council of the Nature Conservancy and the founder and chairman of Black Soil Group Ltd., an agriculture investment and operating company. Prior to founding Black Soil Group Ltd., he was the Asia Pacific chairman and member of the executive management group at Warburg Pincus, a global private equity firm. Mr. Sun has over 25 years of experience in the field of private equity investment in the United States and in Asia. Mr. Sun obtained his Bachelor of Arts degree from the Beijing Foreign Studies University and completed a post-graduate program offered by the United Nations, where he worked as a staff translator in New York for 3 years. Mr. Sun earned a joint degree of MA/MBA from the Joseph Lauder Institute of International Management and the Wharton School of the University of Pennsylvania.

Mr. Cha Mou Zing, Victor

Mr Cha Mou Zing, Victor, aged 67, is an independent non-executive Director. He is the deputy chairman and managing director of HKR International Limited (Hong Kong Stock Code: 00480) and an alternate independent non-executive director of New world development Company Limited (Hong Kong Stock Code: 0017).

Mr Cha is the Chairman of both the Hong Kong Arts Festival and the Hong Kong – Japan Business Co-operation Committee of Hong Kong Trade Development Council. He is a board member of the trustee of the Cha Foundation, Executive Committee member of Qiu Shi Science and Technologies Foundation and trustee of the Sang Ma Trust Fund.

The Hong Kong Polytechnic University conferred the title of University Fellowship to Mr. Cha in 2010 in recognition of his contributions to the university and the community. Mr. Cha graduated from Stanford University with an MBA degree and is a Sloan Fellow of the University. He also holds a Bachelor of Science degree from the University of Wisconsin.

Mr. Xiong Ming Hua

Mr. Xiong Ming Hua, aged 52, is an independent non-executive Director. Mr. Xiong is the founder and chairman of seven Seas Partners, a venture capital firm focusing on investing cross border technology companies in the United States and China. Mr. Xiong was the Former Chief Technology Officer for Tencent Holdings Limited (a company listed on the Hong Kong Stock Exchange, Stock Code: 700) from 2005 to 2013, where he was responsible for product strategy planning of the overall platform, new product innovation, research and development of core technologies, and management for engineering excellence. Previously he worked at Microsoft Corporation for 9 years as program management in Internet Explorer, Windows and MSN product groups, and as founding director of MSN China Development Center. Prior to that, Mr. Xiong worked as staff programmer of Internet Division of IBM Corporation in New York. Mr. Xiong received his Bachelor of Engineering Degree in Information System Engineering from National University of Defense Technology in 1987 and a Master of Science Degree in Information Retrieval from Chinese Defense Science and Technology Information Center in Beijing in 1990.

Senior Management

Mr. Yin Jie

Senior Vice President

Mr. Yin Jie, aged 49, is our Senior Vice President and Chief Architect and is responsible for the overall project design. He joined the Company in 2009. Mr. Yin received his Bachelor degree from University of Washington in 1992 and is a registered architect in Washington State of the United States. Prior to joining the Company, Mr. Yin practised in a major U.S. architectural firm for seventeen years.

Mr. Xu Qiang

Vice President

Mr. Xu Qiang, aged 44, is our Vice President in charge of property construction and development. He joined the Company in July 1999. Mr. Xu has acted as the project manager, project director and Vice President of our Company. During his 17 years of service with our Company, he has been in charge of project management of SOHO New Town, Jianwai SOHO, Guanghualu SOHO, Sanlitun SOHO and Wangjing SOHO, Sky SOHO and Bund SOHO,etc. Mr. Xu obtained his Bachelor's Degree in Heating Ventilation and Air Conditioning Engineering from Beijing Institute of Civil Engineering and Architecture in 1994.

Ms. Ni Kuiyang

Vice President

Ms. Ni Kuiyang, aged 40, is our Vice President and is responsible for accounting and cash management of the Company. Ms. Ni joined the Company in July 2008 and since then has acted as our finance manager, finance director and Vice President. Ms. Ni Kuiyang received her Bachelor Degree in Accounting from China University of Petroleum in 1999 and is a CPA holder. Prior to joining the Company, Ms. Ni worked for a listed company and an asset management company. Ms. Ni has extensive experience in accounting and financial management.

Mr. Qian Ting

Vice President

Mr. Qian Ting, aged 40, is our Vice President and is responsible for property leasing of the Company. Mr. Qian joined the Company in October 2002 and has acted as the director of our leasing department. Mr. Qian received his Bachelor's Degree in Trade and Economy from Renmin University of China in 2000. Mr. Qian has 17 years' experience in property leasing in China.

Ms. Xu Jin

Vice President

Ms. Xu Jin, aged 45, is our Vice President and is responsible for property management of the Company. Ms. Xu joined the Company in February 2001 and since then has acted as director of human resources department, director of procurement department and Vice President. Ms. Xu received a Bachelor of Engineering Management degree from Beijing Wuzi University in 1994. She has over twenty years of relevant experience in the real estate development industry in China.

Company Secretary

Ms. Mok Ming Wai

Ms. Mok Ming Wai is the company secretary of the Company (the "Company Secretary"). Ms. Mok was appointed as the Company Secretary of the Company on 20 December 2013. Ms. Mok is a director of KCS Hong Kong Limited (a company secretarial services provider), she has over 20 years of professional and in-house experience in the company secretarial field. Ms. Mok is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She currently acts as the company secretary and joint company secretary of several listed companies.

DIRECTORS' REMUNERATION

The Directors' remunerations are determined by the Board, as authorized by the Company's annual general meeting held on 18 May 2016 (the "2016 AGM"), with reference to Directors' duties, responsibilities and performance as well as the financial results of the Group.

Remuneration details of each Director for the year ended 31 December 2016 are set out as follows:

2016	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement Scheme contributions RMB'000	Sub-total RMB'000	Share-based Payments *(Note)* RMB'000	Total RMB'000
Executive Directors						
Pan Shiyi (Chairman)	240	2,509	196	2,945	–	2,945
Pan Zhang Xin Marita	180	1,444	116	1,740	–	1,740
Yan Yan	240	4,086	186	4,512	–	4,512
Tong Ching Mau*	149	2,163	71	2,383	–	2,383
Independent non-executive Directors						
Cha Mou Zing, Victor	287	–	–	287	–	287
Xiong Ming Hua	287	–	–	287	–	287
Sun Qiang Chang	287	–	–	287	–	287
Total	1,670	10,202	569	12,441	–	12,441

* *Tong Ching Mau was appointed as Director on 18 May 2016.*

Note: *Where applicable, these represent the fair value of the awarded shares and share options granted to the Directors under the Employees' Share Award Scheme and the Share Option Scheme. The value of these awarded shares and share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 1(q)(ii) of the audited consolidated financial statements. Details of these benefits in kind, including the principal terms and number of awarded shares and share options granted, are disclosed in Note 27 of the audited consolidated financial statements.*

During the Year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors waived or agreed to waive any remuneration during the Year.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration is determined with reference to the senior management's duties, responsibilities and performance, as well as the financial results of the Group.

ANNUAL REMUNERATION PAYABLE TO THE MEMBERS OF SENIOR MANAGEMENT

The annual remuneration of the members of the senior management by band for the year ended 31 December 2016 is as follows:

Remuneration Bands (RMB)	Number of Individuals
0 - 1,000,000	0
1,000,001 - 2,000,000	1
2,000,001 - 3,000,000	3
3,000,001 - 4,000,000	1

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571, the Laws of Hong Kong) (the "SFO")), which were required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in the Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:

(i) Interests in the ordinary shares of the Company

Name	Personal interests	Family interests	Corporate interests	Number of ordinary shares	Approximate percentage of shareholding
Pan Shiyi	–	3,324,100,000 (L)	–	3,324,100,000 (L)	63.9309%
		(Note 2)			
Pan Zhang Xin, Marita	–	–	3,324,100,000 (L)	3,324,100,000 (L)	63.9309%
			(Note 3)		
Yan Yan	17,693,270 (L)	–	–	17,693,270 (L)	0.3403%
Tong Ching Mau	173,637 (L)	–	–	173,637 (L)	0.0033%

Notes:

(1) (L) represents long position in shares or underlying shares.

(2) Mr. Pan had deemed interests in 3,324,100,000 Shares held by his spouse, Mrs. Pan Zhang Xin Marita as mentioned in note (3) below.

(3) Each of Boyce Limited and Capevale Limited ("Capevale BVI"), both of which were incorporated in the British Virgin Islands, was interested in 1,662,050,000 Shares. Boyce Limited and Capevale BVI are the wholly-owned subsidiaries of Capevale Limited (Cayman Islands) ("Capevale Cayman"), which was incorporated in the Cayman Islands. Cititrust Private Trust (Cayman) Limited (in its capacity as trustee) is the legal owner of 100% of the shares in the issued share capital of Capevale Cayman. Cititrust Private Trust (Cayman) Limited held these shares under The Little Brothers Settlement (the "Trust"), for the benefit of the beneficiaries of the Trust, including Mrs. Pan Zhang Xin Marita.

(ii) Interests in the ordinary shares of the Company's associated corporations

Name	Name of associated corporation	Nature of interest	Share capital (USD)	Approximate percentage of shareholding
Pan Shiyi	Beijing Redstone Jianwai Real Estate Development Co. Ltd.	interest of controlled corporation	1,275,000	4.25%
	Beijing SOHO Real Estate Co. Ltd.	beneficial owner	4,950,000	5.00%
	Beijing Redstone Newtown Real Estate Co. Ltd.	beneficial owner	500,000	5.00%
	Beijing Shanshi Real Estate Co., Ltd.	beneficial owner	1,935,000	5.00%
Yan Yan	Beijing Redstone Jianwai Real Estate Development Co. Ltd.	interest of controlled corporation	225,000	0.75%

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2016, none of the Directors or chief executive nor their associates of the Company had or was deemed to have 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) which are required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors, the following shareholders of the Company had notified the Company of their relevant interests in the issued share capital of the Company:

Name	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Cititrust Private Trust (Cayman) Limited *(Note 2)*	Trustee	3,324,100,000 (L)	63.9309% (L)
Capevale Cayman *(Note 2)*	Interests of controlled corporation	3,324,100,000 (L)	63.9309% (L)
Boyce Limited *(Note 3)*	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (L)
Capevale BVI *(Note 4)*	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (L)

Notes:

(1) (L) represents long position in shares or underlying shares.

(2) Cititrust Private Trust (Cayman) Limited (in its capacity as trustee) is the legal owner of 100% of the shares in the issued share capital of Capevale Cayman, a company incorporated in the Cayman Islands. Capevale Cayman wholly owns Boyce Limited and Capevale BVI, each of which was interested in 1,662,050,000 Shares. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to be interested in the 3,324,100,000 Shares held by Boyce Limited and Capevale BVI via its interest in Capevale Cayman under the Trust for the benefit of the beneficiaries, including Mrs. Pan Zhang Xin Marita.

(3) Boyce Limited, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Cayman.

(4) Capevale BVI, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Cayman.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2016, there was no other person who had interest or short position in the shares or underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded into the register referred to therein.

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.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of this report, no transactions, arrangements or contracts of significance, in relation to the Group's business to which the Company or any of its subsidiaries was a party in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Company's prospectus dated 21 September 2007 (the "Prospectus"), as at 31 December 2016, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Save as disclosed in the sections headed "Share Option Scheme" below, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable any Directors to acquire such rights in any other body corporate.

PERMITTED INDEMNITY PROVISION

The Company's articles of association provides that every Director and other officers shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective office or trust or otherwise in relation thereto provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons.

In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

EMPLOYEES' SHARE AWARD SCHEME

The Company adopted the Employees' Share Award Scheme on 23 December 2010. The purpose of the Employees' Share Award Scheme is to recognize the contributions by certain employees of the Group, to give incentives to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

During the Year, the trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 1,131,000 Shares at a total consideration of approximately HKD4,267,599, pursuant to the terms of the trust deed under the Employees' Share Award Scheme.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 14 September 2007, which shall be valid and effective for a period of ten years commencing from 14 September 2007. The purpose of the Share Option Scheme is to provide the participants who have been granted options (the "Options") under the Share Option Scheme to subscribe for Shares with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company for the benefit of the Company and Shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, motivating, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Share Option Scheme, the Board may make an offer to (i) any directors (including executive directors, non-executive directors and independent non-executive directors), employees and officers of any member of the Group and (ii) any advisers, consultants, agents, business partners, joint venture business partners and service providers of any member of the Group (collectively, the "Business Associate"), as the Board may in its absolute discretion select, to take up the Options (collectively, the "Participants"). The amount payable by a Participant upon acceptance of a grant of Options is HKD1.00.

Unless approved by the Shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including exercised, cancelled and outstanding Options) under the Share Option Scheme and any other share option scheme adopted by the Company in any twelve-month period must not exceed 1% of the Shares in issue. Any further grant of Options which would result in the number of Shares issued as aforesaid exceeding the said 1% limit will be subject to prior Shareholders' approval with the relevant Participant and his close associates (as defined in the Listing Rules) abstaining from voting. The period within which the Options may be exercised shall expire no later than ten years from the relevant date on which the offer of the grant of an Option is made to a Participant.

The subscription price of any Option granted under the Share Option Scheme may be determined by the Directors provided that it shall be no less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the offer date; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the offer date; and (iii) the nominal value of a Share on the date of grant.

Total number of Shares available for issue under the Share Option Scheme is 8,184,000 Shares, representing 0.16% of the issued Shares as at the date of this annual report.

Details of the Options granted under the Share Option Scheme and those remained outstanding as at 31 December 2016 are as follows:

		Number of Options					
Name and class of grantees	Date of grant	Outstanding as at 1 January 2016	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 31 December 2016
Director							
Yan Yan	6 November 2012 *(Note 1)*	8,184,000	–	–	–	–	8,184,000
Total		**8,184,000**	**-**	**-**	**-**	**-**	**8,184,000**

Note:

(1) Details of Options:

Number of Options granted	Exercise period	Exercise price per share HKD	Closing price per share immediately prior to the grant date HKD
8,184,000	6 November 2013 to 5 November 2022*	5.53	5.67

* *The Options granted on 6 November 2012 are exercisable from the commencement of the exercise period until the expiry of the Options which is on 5 November 2022. One-tenth of such Options are exercisable during the first six years from the date of grant on an annual basis, and the remaining two-fifths of the Options are exercisable after the expiry of the seventh year from the date of grant.*

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and Employees' Share Award Scheme of the Company as set out in this Directors' Report, 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.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2016, the percentage of revenue from sales of goods or rendering of services of the Group to the Group's five largest customers amounted to less than 30%.

For the year ended 31 December 2016, the percentage of purchases by the Group for the Year attributable to the Group's five largest suppliers amounted to 49%, and the Group's largest supplier accounted for 15%.

So far as the Board is aware, neither the Directors, their close associates nor any Shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers during the Year.

BUSINESS REVIEW

A review of the business of the Group during the Year, a discussion on the Group's future business development and a discussion on the Group's environmental policies are provided in the Chairman's Statement on pages 2 to 4 of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 2 to 4. Also, the financial risk management policies of the Group can be found in Note 2 to the consolidated financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Group Financial Summary on pages 39 to 40 of this annual report. In addition, relationships with its key stakeholders are provided in this Directors' Report on page 37 and pages 53 to 55 of this annual report. And compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 58 to 73 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had been in compliance with the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Year.

MATERIAL LEGAL PROCEEDINGS

To the knowledge of the Directors, there was no material legal proceedings during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the Company had not repurchased any Shares on the Stock Exchange. The trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 1,131,000 Shares at a total consideration of approximately HKD4,267,599 pursuant to the terms of the trust deed under the Employees' Share Award Scheme. Other than the aforesaid, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the Period.

DEBENTURE ISSUED

In January 2016, Beijing Wangjing SOHO Real Estate Co., Ltd.*, a wholly-owned subsidiary of the Company, issued domestic corporate bond with principal amount of RMB3,000 million at the coupon rate of 3.45% for a term of 3 years.

AUDITOR

The consolidated financial statements of the Group for the Year have been audited by PricewaterhouseCoopers ("PwC"). A resolution for the re-appointment of PwC as auditors of the Company for the next financial year will be proposed at the forthcoming AGM.

On behalf of the Board

Pan Shiyi
Chairman
Hong Kong
23 March 2017

* *For identification purposes only*

CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transaction (the "Transaction") with connected persons of the Company within the meaning of the Listing Rules. Details of the Transaction has been described in the Prospectus under the heading "Relationship with Our Controlling Shareholders and Founders". The status of the Transaction of the Group as at 31 December 2016 and for the year then ended is set out below:

Continuing connected transaction for which waiver had been sought from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules:

As disclosed in the Prospectus, pursuant to an agreement dated 24 July 2007, the outstanding amounts from the Property purchase contracts between Beijing Hongyun Co., Ltd. ("Hongyun") and Beijing ZhongHongTian Real Estate Co., Ltd. ("ZhongHongTian") were in aggregate RMB3,916,128 as at 24 July 2007, 50% of which should be repayable by Hongyun on 30 June 2008 and the remaining 50% should be repayable by it on 31 December 2008. The outstanding amount bore an interest at the People's Bank of China's ("PBOC") lending rate till the repayment dates, i.e. 30 June 2008 and 31 December 2008, respectively. As at 31 December 2016, the balance of RMB3,916,128 remained outstanding and interests receivable of RMB498,210 thereon was recorded. Hongyun is a 17% shareholder of ZhongHongTian, the non-wholly owned subsidiary of the Company and accordingly, is a connected person of the Group.

The executive Directors and independent non-executive Directors have reviewed the Transaction during the Year and confirmed that the Transaction has been entered into:

1. in the ordinary and usual course of business of the Company and its subsidiaries;

2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether it is on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Further, the Company has engaged its auditor to perform procedures and report their findings regarding the Transaction entered into by the Group set out above for the year ended 31 December 2016. The auditor has issued a letter containing their findings and conclusions in respect of the Transaction set out above and a copy has been provided to the Stock Exchange. The Company confirms it has complied with the disclosure and annual review requirements in accordance with Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Company is committed to upholding high standards of corporate governance which, it believes, is crucial to the development of the Company and safeguarding the interests of the Shareholders of the Company. The Company has adopted sound governance and disclosure practices, and is committed to continuously improving these practices and inculcating an ethical corporate culture.

Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report of the Company.

In the opinion of the Directors, the Company had been in compliance with the code provisions of the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules during the Year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the Directors. The Company had made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. Under the leadership of the Chairman, the Board is also responsible for approving and overseeing the overall strategies and policies of the Company, approving the annual budget and business plans, assessing the Company's performance and supervising the work of the senior management.

The running of the day-to-day businesses of the Company is delegated by the Board to the management who is working under the leadership and supervision of the Board committees except that authority is reserved for the Board to approve interim and annual financial statements, dividend policy, annual budgets, business plan, and significant operational matters.

The Board currently comprises seven Directors, including four executive Directors, namely Mr. Pan Shiyi (Chairman), Mrs. Pan Zhang Xin Marita (Chief Executive Officer), Ms. Yan Yan and Ms. Tong Ching Mau; and three independent non- executive Directors, namely Mr. Sun Qiang Chang, Mr. Cha Mou Zing, Victor and Mr. Xiong Ming Hua (details of their biographical information are set out in the section headed "Biographies of Directors and members of senior management" of this annual report).

Regular Board meetings are held at least four times a year (at quarterly intervals) and any ad hoc meeting will be held when necessary. At least fourteen days notice will be given to all the Directors prior to any regular Board meeting and any relevant materials to be presented to a Board meeting will be provided to Directors at least three days before such Board meeting. The Directors are appointed by Shareholders of the Company through ordinary resolutions or appointed by the Board to fill any casual vacancies on the Board or for new additions to the Board. At each annual general meeting, one-third (or, if the number is not a multiple of three, the number nearest to but not less than one-third) of the Directors for the time being shall retire from office by rotation but are eligible for re-election and re-appointment.

The Chairman of the Board, Mr. Pan Shiyi, is the husband of Mrs. Pan Zhang Xin Marita, an executive Director and the Chief Executive Officer. Save as disclosed above, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Board is established in accordance with the provisions of Rules 3.10 and 3.10A of the Listing Rules. Of the three independent non-executive Directors appointed, at least one or more are equipped with financial expertise and the number of independent non-executive Directors represented at least one-third of the Board.

The Board's composition demonstrates a balance of core competence with regard to the business of the Company, so as to provide effective leadership and the required expertise to the Company.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board and the Chief Executive Officer are currently two separate positions held by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita respectively with clear distinction in responsibilities. The Chairman of the Board is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Company, to ensure adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that issues raised at the Board meetings are explained appropriately. The Chief Executive Officer is responsible for the day-to-day management of the business of the Company, implementation of the policies, business objectives and plans set by the Board, and is accountable to the Board for the overall operation of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors were appointed for a term of three years, subject to retirement by rotation at the annual general meeting and being eligible, to offer themselves for re-election.

Pursuant to the guidelines provided in Rule 3.13 of the Listing Rules, the Company has received the confirmation of independence from each of the independent non-executive Directors, and thus the Board considers such Directors to be independent persons. The Board believes that the independent non-executive Directors are able to offer independent opinions on the Company's development strategy, risk management and management process, etc. so that the interests of the Company and all Shareholders will be taken into consideration and duly safeguarded.

BOARD MEETINGS

During the Year, five Board meetings were held and below is the attendance of each of the Directors at the Board meetings:

Directors	Attendance/No. of Meetings
Executive Directors	
Pan Shiyi	5/5
Pan Zhang Xin Marita	5/5
Yan Yan	5/5
Tong Ching Mau (appointed on 18 May 2016)	3/5
Independent non-executive Directors	
Sun Qiang Chang	5/5
Cha Mou Zing, Victor	5/5
Xiong Ming Hua	5/5

During the Board meetings, the senior management of the Company provided each Director with timely information regarding the business activities and developments of the Company and met with independent non-executive Directors to seek their views on the business development and operational matters of the Company.

PROVISION AND USE OF INFORMATION

- Minutes of all Board meetings and meetings of the Board committees are kept by designated secretaries, and will be available for inspection by any Director after giving reasonable notice.

- All Directors are entitled to receive advice and services from the Company Secretary to ensure due compliance with the terms of reference of the Board.

- Directors may have recourse to seek independent advice from professionals as appropriate and such fees incurred shall be borne by the Company.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Sun Qiang Chang, Mr. Cha Mou Zing, Victor and Mr. Xiong Ming Hua. The Audit Committee is chaired by Mr. Sun Qiang Chang, who has the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee is authorized by the Board to review the relevant financial reports and to give recommendations and advices, its duties include:

1. **Relationship with the Company's auditors**

   The duty to make recommendations to the Board on the appointment, re-appointment or removal of external auditors; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; to develop and implement policies on the engagement of the external auditors for providing audit services; to meet with the external auditors and discuss matters relating to the audit, if necessary, in the absence of the management of the Company.

2. **Review of financial information of the Company**

   The duty to monitor the integrity of financial statements of the Company as set out in the Company's annual reports and accounts and half-yearly reports, and to review any significant views of financial reporting contained in them.

3. **Monitor the Company's financial reporting system, risk management and internal control systems**

Each of the Company's operational departments has established internal audit and supervisory functions for its operating procedures. The Audit Committee will also review the financial control, internal control and risk management systems to ensure adequate resources, including that sufficient staff with qualifications and experience in accounting and financial reporting, as well as training programs and budgets are allocated to operate the internal control procedures effectively.

In 2016, two meetings were held by the Audit Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meetings
Sun Qiang Chang *(Chairman)*	2/2
Cha Mou Zing, Victor	2/2
Xiong Ming Hua	2/2

The Audit Committee had reviewed the internal audit plan report submitted by the internal audit department and the risk management and internal control systems, and recommended the Board on risk management and internal control matters. The Audit Committee has also reviewed the adequacy of resources, the interim results for the period ended 30 June 2016 and the audited consolidated annual results of the Company for the year ended 31 December 2016 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

The Audit Committee has reviewed the auditors' fee for the year 2016, and recommended the Board to re-appoint PwC as the auditors of the Company for the year 2017, which is subject to the approval of shareholders of the Company at the forthcoming AGM.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises three independent non-executive Directors, namely Mr. Cha Mou Zing, Victor, Mr. Sun Qiang Chang, and Mr. Xiong Ming Hua. The Remuneration Committee is chaired by Mr. Cha Mou Zing, Victor. The Remuneration Committee is mainly responsible for determining remuneration packages of individual executive Directors and senior management of the Company, appraising the performance of the executive Directors and senior management of the Company and making recommendations for their remuneration arrangements, as well as for assessing and making recommendations for staff benefits to the Board.

During the Year, one meeting was held by the Remuneration Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Cha Mou Zing, Victor *(Chairman)*	1/1
Sun Qiang Chang	1/1
Xiong Ming Hua	1/1

A complete record of the minutes of the Remuneration Committee meetings is kept by the Company Secretary. The Remuneration Committee had reviewed the Company's remuneration policies, the terms of the service contracts and the performance of all executive Directors and the senior management. In the opinion of the Remuneration Committee, the remuneration payable to all executive Directors and the senior management is in accordance with the terms of the service contracts, such remuneration is fair and reasonable, and does not create any additional burden for the Company.

Remuneration details of each Director for the year of 2016 are set out in the section headed "Directors' remuneration" of the Directors' Report and Note 31 to the audited consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises two independent non-executive Directors and one executive Director, namely Mr. Pan Shiyi, Mr. Cha Mou Zing, Victor and Mr. Xiong Ming Hua. The committee is chaired by Mr. Pan Shiyi. Details of the authorities and duties of the Nomination Committee are set out in its terms of reference. Its roles are highlighted as follows:

(1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

(2) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(3) to assess the independence of the independent non-executive Directors;

(4) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and chief executive of the Company;

(5) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or applicable law; and

(6) to ensure the chairman of the Committee, or in the absence of the chairman, another member of the Committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company.

During the Year, two meetings were held by the Nomination Committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Pan Shiyi *(Chairman)*	2/2
Cha Mou Zing, Victor	2/2
Xiong Ming Hua	2/2

During the Year, the Nomination Committee had discussed the structure, number of employees and composition of the Company.

PROCEDURES FOR NOMINATION OF DIRECTORS

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of Directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

CRITERIA FOR NOMINATION OF DIRECTORS

1. Common criteria for all Directors

(a) Character and integrity.

(b) Willingness to assume board fiduciary responsibilities.

(c) Satisfying the present needs of the Board for particular experience or expertise.

(d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company.

(e) Significant business or public experience relevant and beneficial to the Board and the Company.

(f) Breadth of knowledge about issues affecting the Company.

(g) Ability to objectively analyse complex business problems and exercise sound business judgement.

(h) Ability and willingness to contribute special competencies to Board activities.

(i) Fit into the Company's culture.

2. Criteria applicable to non-executive Directors/independent non-executive Directors

(a) Willingness and ability to make sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and Board committee meetings.

(b) Accomplishments of the candidate in his/her field.

(c) Outstanding professional and personal reputation.

(d) The candidate's ability to meet the independence criteria for Directors under the Listing Rules.

BOARD DIVERSITY POLICY

The Company adopted the Board Diversity Policy (the "Policy") on 20 August 2013.

The Policy sets out the approach to achieve diversity on the Board, details of which are set out below.

Policy Statement

The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factors.

The Company continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognizes and embraces the benefits of having a diverse Board. The Company believes that a diversity of perspectives can be achieved through taking into account a range of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company sees promoting diversity of perspectives at the Board level as an essential element in supporting the achievement of its business and strategic objectives and maintaining its sustainable development.

Measurable Objectives

The Nomination Committee has primary responsibility for identifying qualified candidates to become members of the Board and, in carrying out this responsibility, will give adequate consideration to this Policy. Board appointments will continue to be made on the basis of merit and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for supervising the preparation of the annual accounts, which give a true and fair view of the state of affairs, the operating results and the cash flows of the Group for the Year. In preparing the accounts for the year ended 31 December 2016, the Directors have selected suitable accounting policies and adopted appropriate accounting standards. Based on judgements and estimates that are prudent and reasonable, the Directors had ensured that the accounts are prepared on the going concern basis. The Directors have confirmed that the consolidated financial statements of the Group are prepared in compliance with the statutory requirements and appropriate accounting standards.

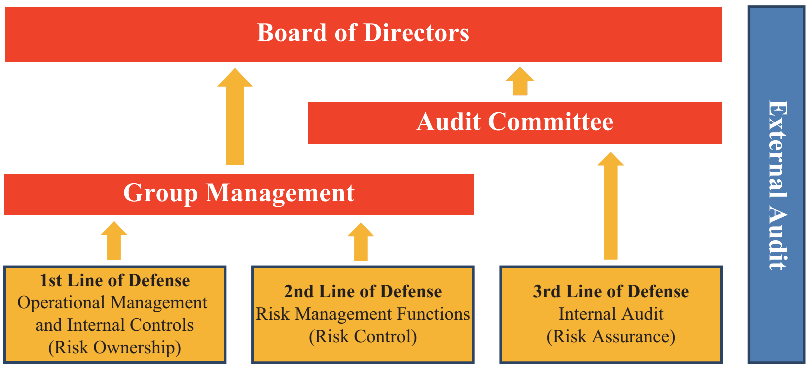
INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

The Group has established an organizational structure with defined levels of responsibility and reporting procedures. The Risk Management and Compliance department and the Group Internal Audit assist the Board and/or the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committee are kept regularly apprised of significant risks that may impact on the Group's performance.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with the relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Nevertheless, the systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than to eliminate the risk of failure to achieve business objectives.

The Group's risk management framework is guided by the "Three Lines of Defense" model as shown below:



The Risk Management and Compliance department, which co-ordinates enterprise risk management activities and reviews significant aspects of risk management for the Group, reports to the Audit Committee at each regularly scheduled meeting including, amongst other things, significant risks of the Group and the appropriate mitigation and/or transfer of identified risks. The operating units of the Group, as risk owners, identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to the Risk Management and Compliance department on a half-yearly basis.

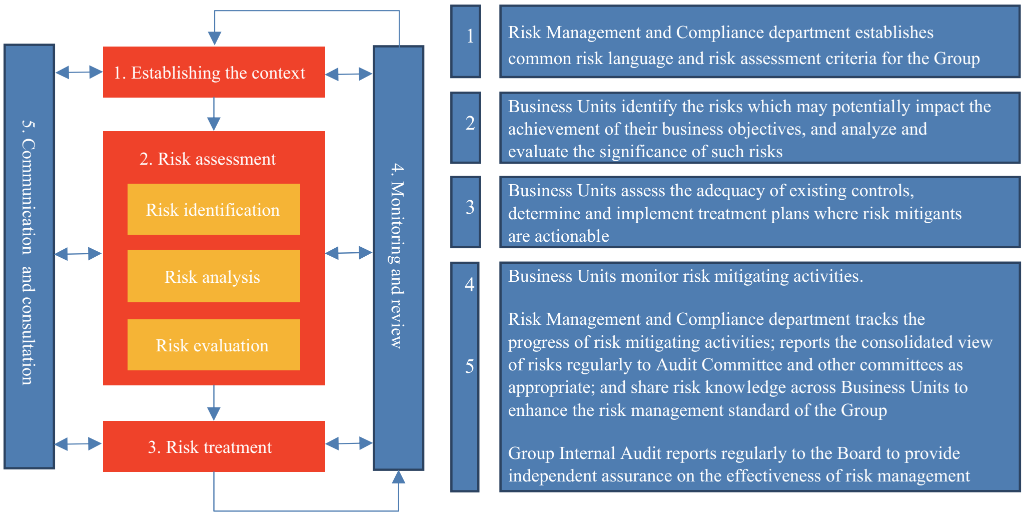
The Group Internal Audit reports to the Audit Committee at each regularly scheduled meeting throughout the year the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls.

The Group Internal Audit adopts a risk-and-control-based audit approach. The annual work plan of the Group Internal Audit covers major activities and processes of the Group's operations, businesses and service units. Special reviews are also performed at the management's request. The results of these audit activities are communicated to the Audit Committee. Audit issues are tracked, followed up for proper implementation, and their progresses are reported to the Audit Committee periodically.

The Group Internal Audit provides independent assurance to the Board, the Audit Committee and the executive management of the Group on the adequacy and effectiveness of internal controls for the Group. The Head of Group Internal Audit reports directly to the Chairman of the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the Group.

The senior management of the Group, supported by the Risk Management and Compliance department and the Group Internal Audit, is responsible for the design, implementation and monitoring of the Group's risk management and internal control systems, and for providing regular reports to the Board and/or the Audit Committee on the effectiveness of these systems.

The Group adopts the principles of ISO 31000:2009 Risk Management – Principles and Guidelines as its approach to manage its business and operational risks. The following diagram illustrates the key processes used to identify, evaluate and manage the Group's significant risks:



The Group has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the executive management of the Group to regularly assess and at least annually to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Group and its business practices in the future.

The Group has embedded its risk management and internal control systems into the core operating practices of the business. On an ongoing basis, the respective operating units of the Company will review and assess the status of potential risks which may impact on their ability to achieve their business objectives and/or those of the Company. This review process includes assessment as to whether the existing risk management and internal control systems continue to remain relevant, adequately address potential risks, and/or should be supplemented. The results of these reviews are recorded in the operating units' risk registers for monitoring and incorporated into the Group's consolidated risk register for analysis of potential strategic implications and for regular reporting to the senior management and Directors of the Company.

The Audit Committee has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Chairman of the Audit Committee has designated the Head of Group Internal Audit to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to them for consideration by the Audit Committee.

The Group regulates the handling and dissemination of inside information as set out in the Corporate Responsibility Policy and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

During 2016, the Risk Management and Compliance department has worked closely with the operating units, senior management, and the Directors to enhance the Group's risk management and internal control systems. Such activities included, amongst other matters, increasing the number of training sessions and risk workshops; further standardization of risk reporting language, classification, and quantification; more closely aligning the assessment of internal controls with their potential risks; and increasing the depth and frequency of interaction with the designated Directors on the Group's risk management and internal control systems' design, operation, and findings. The Risk Management and Compliance department has presented update reports to the Board and the Audit Committee on the monitoring of the risk management and assisted the Directors in the review of the effectiveness of the risk management and internal control systems of the Group during the Year.

During 2016, the Group Internal Audit conducted selective reviews of the effectiveness of the risk management and internal control systems of the Group over financial, operational and compliance controls with emphasis on information technology and security, data privacy and protection, business continuity management and procurement. Additionally, the heads of major business and corporate functions of the Group were required to undertake control self-assessments of their key controls. These results were assessed by the Group Internal Audit and reported to the Audit Committee, which then reviewed and reported the same to the Board. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or results of operations of the Group and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions.

In addition to the review of the risk management and internal control systems undertaken within the Group, the external auditors also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditors' recommendations are adopted and enhancements to the risk management and internal controls will be made.

AUDITORS' REMUNERATION

PwC is the independent external auditors of the Company. The remuneration amounts paid and payable by the Company to PwC for their services rendered for the year ended 31 December 2016 are set out below:

Services rendered	Fees paid/payable
Audit services for 2016	RMB4.00 million
Non-audit services:	
Hong Kong and Macau tax compliance service	RMB0.18 million
Due diligence services	–
Environment, Social and Governance compliance service	RMB0.28 million

EFFECTIVE COMMUNICATION WITH THE INVESTMENT COMMUNITY

The Company attaches great importance to effective and close communications with investors. The investor relations team of the Company seeks to provide the most efficient and effective channel for our Shareholders, bondholders and the investment community to gain information about the Company. In addition to the regular interim and annual results announcements and daily communicates through emails and phone calls, the investor relations team also takes frequent and active participation in global investment conferences.

During the Year, we attended more than ten global investor conferences held in Beijing, Shanghai, Hong Kong and Singapore, meeting institutional investors from global investment community and providing update of the Company. We took tens of times investors/analysts site visits, including visiting Fuxing SOHO, Bund SOHO, Guanghualu SOHO II and Wangjing SOHO, and also our SOHO 3Q visits in Beijing and Shanghai. In March and August 2016, the Company arranged road shows to visit investors spreading across the United States, the United Kingdom, Singapore and Hong Kong.

During the Year, the Company held the 2016 AGM on 18 May 2016 and an extraordinary general meeting on 27 September 2016 (the "2016 EGM") and below is the attendance of each Director:

	Attendance	
	2016 AGM	2016 EGM
Executive Directors		
Mr. Pan Shiyi	0/1	0/1
Mrs. Pan Zhang Xin Marita	0/1	0/1
Ms. Yan Yan	0/1	0/1
Ms. Tong Ching Mau (appointed on 18 May 2016)	1/1	1/1
Independence Non-Executive Directors		
Mr. Sun Qiang Chang	0/1	0/1
Mr. Cha Mou Zing, Victor	0/1	0/1
Mr. Xiong Ming Hua	0/1	0/1

The 2016 AGM provided an ideal chance for communication between the Board and the Shareholders of the Company to consider the declaration and payment of special dividend and re-election of Ms. Tong Ching Mau as executive Directors and the Chief Financial Officer.

The 2016 EGM was convened by the Board and held to consider the declaration and payment of special dividend.

COMPANY SECRETARY

The Company engages Ms. Mok Ming Wai, a director of KCS Hong Kong Limited, as its Company Secretary. Her primary corporate contact person at the Company is Ms. Tong Ching Mau, the executive Director and Chief Financial Officer of the Company. In compliance with rule 3.29 of the Listing Rules, Ms. Mok, has undertaken no less than 15 hours of relevant professional training during the Year.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting and putting forward proposals

Under the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid up capital of the Company which carries the right of voting at general meeting can require an extraordinary general meeting (an "EGM") to be called by the Board for the transaction of any business specified in such requisition. The procedures for shareholders to convene and put forward proposals at an EGM are stated as follows:

(1) The requisitionist(s) should sign a written request stating the objects of the meeting to be convened, and deposit the same at the principal place of business of the Company in Hong Kong situated at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong for the attention of the Company Secretary.

(2) Where, within 21 days from the date of deposit of the requisition, the Directors do not proceed to convene an EGM, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, as that in which meetings may be convened by the Board, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

Shareholders of the Company who intend to put forward their enquiries about the Company to the Board may email their enquiries to ir@sohochina.com.

Amendments to the Company's memorandum and articles of association

There was no significant change in the Company's constitutional documents during the Year.

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his or her first appointment in order to enable him or her to have an understanding of the business and operations of the Company and be fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All the Directors namely Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Yan Yan, Ms. Tong Ching Mau, Mr. Sun Qiang Chang, Mr. Cha Mou Zing, Victor and Mr. Xiong Ming Hua were provided with regular updates on the Group's business, operations, and financial matters, as well as regulatory updates on applicable legal and regulatory requirements. In addition, all Directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancements of their professional development by way of attending training courses or via on-line aids or reading relevant materials.

CORPORATE INFORMATION

Executive Directors	Pan Shiyi *(Chairman)* Pan Zhang Xin Marita *(Chief Executive Officer)* Yan Yan Tong Ching Mau (appointed on 18 May 2016)
Independent non-executive Directors	Sun Qiang Chang Cha Mou Zing, Victor Xiong Ming Hua
Company Secretary	Mok Ming Wai
Members of the Audit Committee	Sun Qiang Chang *(Chairman)* Cha Mou Zing, Victor Xiong Ming Hua
Members of the Remuneration Committee	Cha Mou Zing, Victor *(Chairman)* Sun Qiang Chang Xiong Ming Hua
Members of the Nomination Committee	Pan Shiyi *(Chairman)* Cha Mou Zing, Victor Xiong Ming Hua
Authorised Representatives	Pan Zhang Xin Marita Mok Ming Wai
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate Headquarters	11F, Section A Chaowai SOHO No. 6B Chaowai Street Chaoyang District Beijing 100020 China

Principal Place of Business in Hong Kong	36/F Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Principal Share Registrar and Transfer Office in the Cayman Islands	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Branch Share Registrar and Transfer Office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Hong Kong Legal Advisors	Stephenson Harwood 18th Floor, United Centre 95 Queensway Hong Kong
Auditors	PricewaterhouseCoopers 22/F, Prince's Building 10 Chater Road Central, Hong Kong
Principal Banker	Agricultural Bank of China Limited Bank of China Limited Bank of Communications Co., Ltd. China Everbright Bank Company Limited China Merchants Bank Co., Ltd. Industrial and Commercial Bank of China Limited Standard Chartered Bank (Hong Kong) Limited The Hong Kong and Shanghai Banking Corporation Limited
Website address	www.sohochina.com
Stock Code	410

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SOHO China Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of SOHO China Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 168, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

Independence

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.

KEY AUDIT MATTERS

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

The key audit matter identified in our audit is related to the valuation of investment properties.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to note 11 to the consolidated financial statements	
The Group's investment properties are measured at fair value model and carried at RMB55,087 million as at 31 December 2016 and there was a revaluation gain of RMB1,270 million for the year then ended. The fair value of investment properties are determined by the Group based on the valuations performed by independent professional valuers (the "Valuers") engaged by the Group. The Group's investment property portfolio in mainland China include completed investment properties and investment properties under development.	We assessed the competence, capabilities and objectivity of the Valuers. We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied. We assessed the reasonableness of relevant key assumptions used in valuation including capitalization rates, rental per square meter and estimated price per square meter of each investment property by independently gathering and analysing the data of comparable properties in the transaction market and the characteristics of individual investment property such as location and size.

Key Audit Matter	How our audit addressed the Key Audit Matter
• Completed investment properties: the valuation results of these are derived from the average of income capitalization approach and direct comparison method. For income capitalization approach, the relevant key assumptions include capitalization rates and rental per square meter. For direct comparison method, the relevant key assumption is estimated price per square meter, with reference to recent transactions of comparable properties and adjusted for differences in key attributes such as but not limited to location and property size. • Investment properties under construction: the valuation results of these are derived from the residual method. The relevant key assumptions include capitalization rates, rental per square meter, estimated price per square meter, development costs to completion and developer's profit margin. All the relevant key assumptions are influenced by the prevailing market conditions and each property's characteristics. We focus on this area due to the significant quantum of investment properties to the consolidated financial statements and the relevant key assumptions applied in valuation involved significant judgements and estimates.	We checked the assumption on development costs to completion of each investment property under construction with the approved budget, whose reasonableness was assessed by comparison with the actual cost of completed investment properties of the Group. We assessed the reasonableness of the assumption on developer's profit margin by reference to the range of estimated and empirical developer's average profit margin in the industry. In light of the above, we found the significant judgements and estimates made by management on relevant key assumptions were in the acceptable range.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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 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 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.

From the matters communicated with 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.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2017

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Turnover	4	**1,577,215**	995,165
Cost of sales	5	**(334,717)**	(261,248)
Gross profit		**1,242,498**	733,917
Valuation gains on investment properties	11	**1,270,367**	204,053
Other gains – net	7	**501,348**	1,238,003
Other revenue and income		**385,007**	408,462
Selling expenses	5	**(62,037)**	(69,413)
Administrative expenses	5	**(264,506)**	(250,859)
Other operating expenses	5	**(369,248)**	(298,545)
Operating profit		**2,703,429**	1,965,618
Finance income	8	**121,195**	380,485
Finance expenses	8	**(820,525)**	(926,911)
Share of results of joint venture		**(4,749)**	(11,724)
Profit before income tax		**1,999,350**	1,407,468
Income tax expense	9	**(1,090,610)**	(843,996)
Profit for the year		**908,740**	563,472
Profit attributable to:			
Owners of the Company		**910,232**	537,632
Non-controlling interests		**(1,492)**	25,840
Profit for the year		**908,740**	563,472
Earnings per share (expressed in RMB per share)	10		
Basic earnings per share		**0.175**	0.104
Diluted earnings per share		**0.175**	0.104

The notes on pages 89 to 168 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit for the year	**908,740**	563,472
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Reclassification from other comprehensive income to profit or loss	**–**	(72,323)
Currency translation differences	**(183,746)**	(749,481)
Other comprehensive income for the year	**(183,746)**	(821,804)
Total comprehensive income for the year	**724,994**	(258,332)
Attributable to:		
– Owners of the Company	**726,486**	(284,172)
– Non-controlling interests	**(1,492)**	25,840
Total comprehensive income for the year	**724,994**	(258,332)

The notes on pages 89 to 168 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
Assets			
Non-current assets			
Investment properties	*11*	**55,087,000**	55,004,000
Property and equipment	*12*	**795,939**	843,691
Bank deposits	*20*	**338,764**	354,689
Intangible assets		**6,393**	8,063
Interest in joint ventures	*14*	**6,277**	11,026
Deferred income tax assets	*16(b)*	**1,572,908**	1,439,106
Trade and other receivables	*19*	**286,701**	53,494
Deposits and prepayments	*18*	**169,133**	–
		58,263,115	57,714,069
Current assets			
Properties under development and completed properties held for sale	*17*	**4,226,843**	4,204,072
Deposits and prepayments	*18*	**315,484**	455,155
Trade and other receivables	*19*	**478,258**	801,209
Bank deposits	*20*	**258,100**	251,600
Cash and cash equivalents	*21*	**3,864,045**	8,405,967
		9,142,730	14,118,003
Total assets		**67,405,845**	71,832,072
Equity and liabilities			
Equity attributable to owners of the Company	*26*		
Share capital		**106,112**	106,112
Other reserves		**34,432,900**	36,493,759
		34,539,012	36,599,871
Non-controlling interests		**1,108,665**	1,122,657
Total equity		**35,647,677**	37,722,528

	Note	2016 RMB'000	2015 RMB'000
		As at 31 December	
Liabilities			
Non-current liabilities			
Bank borrowings	*22*	**9,491,838**	14,345,757
Corporate bonds	*25*	**2,989,123**	–
Senior notes		**–**	1,614,493
Contract retention payables		**123,173**	135,346
Deferred income tax liabilities	*16(b)*	**6,340,927**	6,001,871
Derivative financial instruments	*15*	**–**	4,965
		18,945,061	22,102,432
Current liabilities			
Bank borrowings	*22*	**2,954,963**	1,921,483
Rental and sales deposits	*23*	**302,948**	320,222
Trade and other payables	*24*	**3,923,376**	4,578,666
Current income tax liabilities		**5,631,820**	5,186,741
		12,813,107	12,007,112
Total liabilities		**31,758,168**	34,109,544
Total equity and liabilities		**67,405,845**	71,832,072

The notes on pages 89 to 168 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 23 March 2017 and were signed on its behalf

Pan Shiyi
Name of Director

Pan Zhang Xin Marita
Name of Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company Share capital	Share premium	Treasury shares	Capital redemption reserve	Capital reserve	Exchange reserve	Revaluation reserve	General reserve fund	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015		106,112	7,683,218	(36,033)	9,661	48,814	(815,150)	189,527	551,340	31,625,662	39,363,151	1,096,817	40,459,968
Profit for the year		–	–	–	–	–	–	–	–	537,632	537,632	25,840	563,472
Other comprehensive income		–	–	–	–	–	(821,804)	–	–	–	(821,804)	–	(821,804)
Total comprehensive income		–	–	–	–	–	(821,804)	–	–	537,632	(284,172)	25,840	(258,332)
Treasury shares	26(b)(ii)	–	–	(3,357)	–	–	–	–	–	–	(3,357)	–	(3,357)
Dividends approved in respect of the previous year	26(a)(ii)	–	(674,874)	–	–	–	–	–	–	–	(674,874)	–	(674,874)
Dividends declared in respect of the current year	26(a)(i)	–	(1,806,978)	–	–	–	–	–	–	–	(1,806,978)	–	(1,806,978)
Employees' share award scheme	27(b)	–	–	–	–	5,796	–	–	–	–	5,796	–	5,796
Employees' share option schemes	27(a)	–	–	–	–	1,252	–	–	–	–	1,252	–	1,252
Vesting of shares under employees' share award scheme	27(b)	–	1,376	7,052	–	(8,428)	–	–	–	–	–	–	–
Transfer to general reserve fund	26(c)(v)	–	–	–	–	–	–	–	16,096	(16,096)	–	–	–
Hedging		–	–	–	–	(947)	–	–	–	–	(947)	–	(947)
Balance at 31 December 2015		106,112	5,202,742	(32,338)	9,661	46,487	(1,636,954)	189,527	567,436	32,147,198	36,599,871	1,122,657	37,722,528
Balance at 1 January 2016		106,112	5,202,742	(32,338)	9,661	46,487	(1,636,954)	189,527	567,436	32,147,198	36,599,871	1,122,657	37,722,528
Profit for the year		–	–	–	–	–	–	–	–	910,232	910,232	(1,492)	908,740
Other comprehensive income		–	–	–	–	–	(183,746)	–	–	–	(183,746)	–	(183,746)
Total comprehensive income		–	–	–	–	–	(183,746)	–	–	910,232	726,486	(1,492)	724,994
Treasury shares	26(b)(ii)	–	–	(3,636)	–	–	–	–	–	–	(3,636)	–	(3,636)
Dividends approved in respect of the previous year	26(a)(ii)	–	(1,807,179)	–	–	–	–	–	–	–	(1,807,179)	–	(1,807,179)
Dividends declared in respect of the current year	26(a)(i)	–	(986,535)	–	–	–	–	–	–	–	(986,535)	–	(986,535)
Employees' share award scheme	27(b)	–	–	–	–	3,743	–	–	–	–	3,743	–	3,743
Employees' share option schemes	27(a)	–	–	–	–	1,297	–	–	–	–	1,297	–	1,297
Vesting of shares under employees' share award scheme	27(b)	–	3,121	5,248	–	(8,369)	–	–	–	–	–	–	–
Distributions to non-controlling interest		–	–	–	–	–	–	–	–	–	–	(12,500)	(12,500)
Transfer to general reserve fund	26(c)(v)	–	–	–	–	–	–	–	36,888	(36,888)	–	–	–
Hedging	15	–	–	–	–	4,965	–	–	–	–	4,965	–	4,965
Balance at 31 December 2016		106,112	2,412,149	(30,726)	9,661	48,123	(1,820,700)	189,527	604,324	33,020,542	34,539,012	1,108,665	35,647,677

The notes on pages 89 to 168 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Cash flows from operating activities		
Profit before taxation	**1,999,350**	1,407,468
Adjustments for:		
Valuation gains on investment properties	**(1,270,367)**	(204,053)
Depreciation and amortization	**55,940**	43,419
Finance income	**(121,195)**	(380,485)
Interest expense	**802,194**	860,092
Share of results of joint ventures	**4,749**	11,724
Net foreign exchange losses	**2,242**	36,550
Gain on disposal of investment properties	**(501,348)**	–
Impairment losses (reversed)/recognised for trade and other receivables	**(1,500)**	20,278
Gains from disposal of subsidiaries	**–**	(114,728)
Gains from liquidation of subsidiaries	**–**	(72,323)
Gains from disposal of joint venture	**–**	(1,050,952)
Equity-settled share-based payment expense	**5,040**	7,048
Changes in working capital:		
Decrease in deposits and prepayments	**10,083**	26,591
Decrease/(increase) in trade and other receivables	**39,227**	(137,432)
Increase in properties under development and completed properties held for sale	**(47,925)**	(266,657)
Decrease in rental and sales deposits	**(17,274)**	(17,048)
(Decrease)/increase in trade and other payables	**(142,877)**	10,010
Cash generated from operations	**816,339**	179,502
Interest received	**106,153**	380,485
Interest paid	**(1,083,303)**	(1,352,459)
Income tax paid	**(441,236)**	(651,286)
Net cash used in operating activities	**(602,047)**	(1,443,758)

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cash flows from investing activities		
Payment for development costs and purchase of investment properties	**(1,768,550)**	(1,355,122)
Purchase of property and equipment	**(6,518)**	(176,674)
Proceeds from disposal of completed investment properties	**3,235,721**	24,755
Decrease/(increase) in bank deposits	**9,425**	(189,796)
Purchase of intangible assets	**–**	(8,063)
Purchase of property under development	**–**	(530,799)
Proceeds from sale of property and equipment	**–**	425
Decrease in term deposits with banks and other financial institutions over 3 months	**–**	100,000
Proceeds from disposal of subsidiaries	**–**	656,460
Proceeds from disposal of joint venture	**–**	5,085,234
Net cash generated from investing activities	**1,470,078**	3,606,420
Cash flows from financing activities		
Proceeds from bank borrowings	**6,376,883**	3,674,058
Proceeds from corporate bonds	**2,984,230**	–
Repayment of bank borrowings	**(10,390,401)**	(2,017,040)
Repurchase of senior notes	**(1,658,836)**	(4,848,542)
Payment of facility agent fee	**–**	(72,599)
Payment for purchase of treasury shares for employees' share award scheme	**(3,636)**	(3,357)
Dividends paid to equity shareholders of the Company	**(2,793,714)**	(2,481,852)
Distribution to non-controlling interest	**(12,500)**	–
Net cash used in financing activities	**(5,497,974)**	(5,803,332)
Net decrease in cash and cash equivalents	**(4,629,943)**	(3,640,670)
Cash and cash equivalents at beginning of the year	**8,405,967**	11,961,801
Exchange gains on cash and cash equivalents	**88,021**	84,836
Cash and cash equivalents at the end of the year	**3,864,045**	8,405,967

The notes on pages 89 to 168 are an integral part of these consolidated financial statements.

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collectively include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company and its subsidiaries (the "Group"). Note 1(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interests in joint ventures.

The functional currency of the Company is Hong Kong dollars ("HKD"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying out the principal activities of the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see Note 1(h));

– office premises (see Note 1(j));

– financial assets at fair value through profit or loss (see Note 1(g)(i)); and

– derivative financial instruments (see Note 1(g)(ii)).

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Going concern

As at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB3,670,377,000. The directors of the Company have considered the Group's available sources of funds as follows:

- Unutilised banking facilities as at 31 December 2016 and the newly acquired bank loan in January 2017, totally amounting to approximately RMB6,760,709,000; and

- Other available sources of financing from banks and other financial institutions given the Group's credit history.

The directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future, and therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

1 Significant accounting policies (continued)

(d) Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to HKFRS 11
- Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 and HKAS 38
- Annual improvements to HKFRSs 2012 – 2014 cycle, and
- Disclosure initiative – amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- *HKFRS 9, 'Financial instruments'*

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

1 Significant accounting policies (continued)

(d) Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

The other financial assets held by the Group include:

- equity instruments currently classified as AFS for which a FVOCI election is available
- equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group does not expect the new standard to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

1 Significant accounting policies (continued)

(d) Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

- *HKFRS 15, 'Revenue from contracts with customers'*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;

accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

1 Significant accounting policies (continued)

(d) Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

- *HKFRS 16, 'Leases'*

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

(e) Subsidiaries and non-controlling interests

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.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

1 Significant accounting policies (continued)

(e) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Note 1(n) or Note 1(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in joint venture (see Note 1(f)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(m)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Joint ventures

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures 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.

1 Significant accounting policies (continued)

(f) Joint ventures (continued)

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to joint control over a joint venture, except for the case of partial disposal of joint venture into an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's balance sheet, investments in joint ventures are stated at cost less impairment losses (see Note 1(m)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant accounting policies (continued)

(g) Financial instruments

(i) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(ii) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

The gain or loss relating to the ineffective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised immediately in the income statement within 'other gains – net'.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'other revenue'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains – net'.

1 Significant accounting policies (continued)

(h) Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. 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 property is measured initially at cost, including related transaction costs and borrowing costs, where applicable.

After initial recognition, investment properties, including completed investment properties and investment properties under construction, are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time.

Fair value is assessed by a professional independent value, based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(t)(ii).

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 the consolidated income statement during the financial period in which they are incurred.

1 Significant accounting policies (continued)

(h) Investment properties (continued)

Transfers to or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

(a) Commencement of an operating lease to another party, for a transfer from inventories to investment property.

(b) Commencement of development with a view to sale, for a transfer from investment property to inventories.

When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

(i) Intangible asset

(i) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, which do not exceed 10 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(j) Property and equipment

Office premises are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Serviced apartment properties, that are owner-occupied properties from which the Group earns apartment service income, and equipment items are stated at cost less accumulated depreciation and impairment losses (see Note 1(m)).

1 Significant accounting policies (continued)

(j) Property and equipment (continued)

Changes arising on the revaluation of office premises are generally dealt with in other comprehensive income and are accumulated separately in equity in the revaluation reserve. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

- when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to a working condition for its intended use. Expenditure incurred after the asset has been placed into operations is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are charged to profit or loss in the period incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Office premises and serviced apartment properties situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 10 to 40 years after the date of completion.

- Office equipment 5 years

- Motor vehicles 8 years

1 Significant accounting policies (continued)

(j) Property and equipment (continued)

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 1(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(m)). In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

1 Significant accounting policies (continued)

(m) Impairment of assets

(i) Impairment of investments and receivables

Investments and current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For investments in subsidiaries and joint venture (including those recognised using the equity method (see Note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(m)(ii).

For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

1 Significant accounting policies (continued)

(m) Impairment of assets (continued)

(i) Impairment of investments and receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property and equipment (other than office premises carried at revalued amounts) and intangible asset may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant accounting policies (continued)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant accounting policies (continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees under the employees' share option schemes and shares granted to employees under the employees' share award scheme (the "Awarded Shares") is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value of share options is measured at grant date using the Black-Scholes Model or Binomial Tree Pricing Method, taking into account the terms and conditions upon which the options were granted. The fair value of Awarded Shares is measured at quoted share price at grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or Awarded Shares, the total estimated fair value of the options or Awarded Shares is spread over the vesting period, taking into account the probability that the options or Awarded Shares will vest.

During the vesting period, the number of share options or Awarded Shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options or Awarded Shares that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the Awarded Shares are transferred to the employees (when it is credit to the treasury shares account) or the option expires (when it is released directly to retained profits).

1 Significant accounting policies (continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant accounting policies (continued)

(r) Income tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. The presumption that the carrying amount of investment property carried at fair value under HKAS 40 will be recovered through sale is rebutted by the Group.

In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

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

1 Significant accounting policies (continued)

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

(ii) Contingent liabilities assumed in business combinations

Any contingent consideration assumed in a business combination 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 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

1 Significant accounting policies (continued)

(s) Financial guarantees issued, provisions and contingent liabilities (continued)

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as sales deposits.

(ii) Rental income from operating leases

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

1 Significant accounting policies (continued)

(t) Revenue recognition (continued)

(iii) Rendering of services

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed with reference of surveys of work performed.

(iv) Dividend

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(vii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1 Significant accounting policies (continued)

(u) Translation of foreign currencies (continued)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Operating lease payments

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 Significant accounting policies (continued)

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

(iv) One entity is a joint venture of a third 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.

(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).

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.

1 Significant accounting policies (continued)

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Financial risk management

2.1 Financial risk factor

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. 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. Risk management is carried out by the senior management of the Group and approved by the executive directors.

(a) Market risk

(i) Foreign exchange risk

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk mainly on financing transactions denominated in the currency other than the Company and related entities' functional currency (HKD and RMB respectively). Depreciation or appreciation of RMB against HKD can affect the Group's results. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Conversion of RMB into foreign currency is subject to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

2 Financial risk management (continued)

2.1 Financial risk factor (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The amounts denominated in the currency other than the functional currency of the entities to which they relate were as follows:

	2016 RMB'000	2015 RMB'000
RMB		
– Cash and cash equivalents	3,452	166,515
– Amounts due from subsidiaries	718,462	699,522
– Amounts due to subsidiaries	(663,337)	(299,595)

As at 31 December 2016, if RMB had weakened/strengthened by 5% against HKD with all other variable held constant, post-tax profit for the year of the Group would have been RMB2,929,000 lower/higher (2015: RMB28,322,000 lower/higher).

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings including bank borrowings and corporate bonds, which are disclosed in Note 22 and Note 25, respectively. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During 2016 and 2015, the Group's borrowings at prevailing market interest rates were denominated in RMB and HKD.

As at 31 December 2016, if interest rates have increased/decreased by 100 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would decrease/increase by approximately RMB77,484,000 (2015: RMB86,236,000).

2 Financial risk management (continued)

2.1 Financial risk factor (continued)

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amount of trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets.

Credit evaluations are performed on all customers requiring credit over a certain amount. The Group would not deliver properties to tenants before it receives the rental deposits and would not release the property ownership certificates to the buyers before the buyers finally settle the selling price.

The recoverability of trade and other receivables is assessed taking into account of the financial position of the counterparties, past experiences and other factors. As at 31 December 2016, the management does not expect any significant losses from non-performance by the counterparties.

(c) Liquidity risk

Cash flow forecast is performed in the operating entities of the Group in and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecast process takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

2 Financial risk management (continued)

2.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity Groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table is the contractual undiscounted cash flows.

	Less than 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					
Bank borrowings	**3,498,849**	**1,095,045**	**2,947,418**	**6,453,185**	**13,994,497**
Corporate bonds	**108,736**	**108,927**	**3,007,772**	**–**	**3,225,435**
Contract retention payables	**123,173**	**–**	**–**	**–**	**123,173**
Trade and other payables excluding non-financial liabilities	**3,806,682**	**–**	**–**	**–**	**3,806,682**
	7,537,440	**1,203,972**	**5,955,190**	**6,453,185**	**21,149,787**
At 31 December 2015					
Bank borrowings	2,596,341	4,105,919	8,936,713	2,512,830	18,151,803
Senior notes	1,702,415	–	–	–	1,702,415
Contract retention payables	135,346	–	–	–	135,346
Trade and other payables excluding non-financial liabilities	4,199,633	–	–	–	4,199,633
	8,633,735	4,105,919	8,936,713	2,512,830	24,189,197

2 Financial risk management (continued)

2.2 Capital management

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which was unchanged since 2007, as defined by the Group, being the total of bank and interest bearing borrowings (including corporate bonds and senior notes) divided by the total assets. As at 31 December 2016, the gearing ratio of the Group was 22.90% (2015: 24.89%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

2.3 Fair value estimation

Investment properties and cash flow hedge are stated as fair value, other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2016 and 2015.

The method and major assumptions used in estimating the fair value of the share options granted to employees of the Group are set out in Note 27. The unit fair values of the Awarded Shares are share price at grant dates which can be obtained from the stock market directly.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

The table below analyses investment properties carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) 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).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

2 Financial risk management (continued)

2.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016 and 2015. See Note 11 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
At 31 December 2016				
Investment properties	–	–	**55,087,000**	**55,087,000**
Office premises	–	–	**307,692**	**307,692**
Total assets	–	–	**55,394,692**	**55,394,692**
Assets				
At 31 December 2015				
Investment properties	–	–	55,004,000	55,004,000
Office premises	–	–	317,046	317,046
Total assets	–	–	55,321,046	55,321,046
Liabilities				
At 31 December 2015				
Derivatives used for hedging	–	4,965	–	4,965
Total liabilities	–	4,965	–	4,965

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

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the year.

3 Critical accounting estimates and judgements

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

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

(a) Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 50% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain property development projects of the Group. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) Provision for properties under development and completed properties held for sale

As explained in Note 1(k), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realizable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realizable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such revision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

3 Critical accounting estimates and judgements (continued)

(b) Provision for properties under development and completed properties held for sale (continued)

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Valuation of investment properties

As described in Note 11(b), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential. Details of the valuation approaches for investment properties are set out in Note 11(b).

(d) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivables balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

4 Segment information

(a) Segment reporting

The Group manages its businesses based on future development strategy of current projects, which are divided into properties development and properties investment. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Properties development

This segment includes projects which are held for sale.

(ii) Properties investment

This segment includes projects which are held for rental.

4 Segment information (continued)

(b) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment profit represents the profit after taxation generated by individual segments.

Management is provided with segment information concerning turnover, cost of properties sold, cost of rental business, gross profit, valuation gains on investment properties, net operating expenses, depreciation and amortization, impairment loss reversed/(recognized) for trade and other receivables, finance income, finance expenses, income tax expense, investment properties, properties under development and completed properties held for sale, cash and cash equivalents, bank deposits, bank borrowings, and additions to investment properties and property and equipment.

4 Segment information (continued)

(b) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

	Properties development		Properties investment		Total	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Income statement items						
Reportable segment revenue	**66,649**	(57,333)	**1,510,566**	1,052,498	**1,577,215**	995,165
Cost of properties sold/cost of rental business	**(28,750)**	(6,267)	**(305,967)**	(254,981)	**(334,717)**	(261,248)
Reportable segment gross profit/(loss)	**37,899**	(63,600)	**1,204,599**	797,517	**1,242,498**	733,917
Valuation gains on investment properties	**–**	–	**1,270,367**	204,053	**1,270,367**	204,053
Operating (expenses)/income, net	**(131,969)**	100,398	**66,988**	63,944	**(64,981)**	164,342
Depreciation and amortization	**(48,574)**	(35,688)	**(7,366)**	(7,731)	**(55,940)**	(43,419)
Impairment loss reversed/ (recognized) for trade and other receivables	**1,500**	–	**–**	(20,278)	**1,500**	(20,278)
Finance income	**29,347**	74,291	**74,211**	233,149	**103,558**	307,440
Finance expense	**(10,406)**	(9,888)	**(359,554)**	(367,181)	**(369,960)**	(377,069)
Reportable segment (loss)/ profit before taxation	**(97,912)**	187,864	**2,483,270**	677,334	**2,385,358**	865,198
Income tax expense	**(44,156)**	(154,352)	**(1,000,067)**	(306,992)	**(1,044,223)**	(461,344)
Reportable segment (loss)/ profit	**(142,068)**	33,512	**1,483,203**	370,342	**1,341,135**	403,854
Balance sheet items						
Investment properties	**–**	–	**55,087,000**	55,004,000	**55,087,000**	55,004,000
Properties under development and completed properties held for sale	**4,226,843**	4,204,072	**–**	–	**4,226,843**	4,204,072
Cash and cash equivalents	**127,306**	53,924	**3,510,612**	4,622,257	**3,637,918**	4,676,181
Bank deposits	**551,758**	547,924	**45,106**	58,365	**596,864**	606,289
Bank borrowings	**–**	–	**11,429,402**	7,907,937	**11,429,402**	7,907,937
Reportable segment assets	**21,692,347**	19,285,189	**90,752,115**	83,519,676	**112,444,462**	102,804,865
Reportable segment liabilities	**16,433,407**	13,837,247	**36,945,714**	31,444,404	**53,379,121**	45,281,651
Additions to investment properties and property and equipment	**5,983**	5,827	**2,827,400**	2,360,030	**2,833,383**	2,365,857

4 Segment information (continued)

(c) Reconciliations of reportable segment profit or loss, assets and liabilities

	2016 RMB'000	2015 RMB'000
Profit		
Reportable segment profit	1,341,135	403,854
Unallocated head office and corporate (loss)/profit	(432,395)	159,618
Consolidated profit	908,740	563,472
Income tax		
Reportable segment income tax	(1,044,223)	(461,344)
Unallocated head office and corporate income tax	(46,387)	(382,652)
Consolidated income tax	(1,090,610)	(843,996)
Bank deposits		
Reportable segment bank deposits	596,864	606,289
Consolidated bank deposits	596,864	606,289
Cash and cash equivalents		
Reportable segment cash and cash equivalents	3,637,918	4,676,181
Unallocated head office and corporate cash and cash equivalents	226,127	3,729,786
Consolidated cash and cash equivalents	3,864,045	8,405,967
Bank borrowings		
Reportable segment bank borrowings	11,429,402	7,907,937
Unallocated head office and corporate bank borrowings	1,017,399	8,359,303
Consolidated bank borrowings	12,446,801	16,267,240
Assets		
Reportable segment assets	112,444,462	102,804,865
Unallocated head office and corporate assets	16,481,588	20,880,985
Elimination of intra-Group balances	(61,520,205)	(51,853,778)
Consolidated total assets	67,405,845	71,832,072
Liabilities		
Reportable segment liabilities	53,379,121	45,281,651
Unallocated head office and corporate liabilities	39,880,447	40,664,322
Elimination of intra-Group balances	(61,501,400)	(51,836,429)
Consolidated total liabilities	31,758,168	34,109,544

4 Segment information (continued)

(c) Reconciliations of reportable segment profit or loss, assets and liabilities (continued)

The Company is incorporated in Cayman Islands, with most of its major subsidiaries domiciled in the PRC. All revenues from external customers of the Group are derived in the PRC for the years ended 31 December 2016 and 2015.

As at 31 December 2016, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB56,064,742,000 (2015: RMB55,866,780,000), the total of these non-current assets located in Hong Kong is RMB nil (2015: RMB nil).

For the year ended 31 December 2016 and 2015, the Group does not have any single customer with the transaction value over 10% of the total external sales.

5 Expense by nature

	Note	**2016** **RMB'000**	2015 RMB'000
Business tax and other levies		**303,385**	323,778
Employee benefits expense	6	**219,183**	246,149
Surcharge for overdue tax payment		**130,542**	–
Utilities expenses		**63,289**	49,620
Property management expenses		**56,828**	53,296
Depreciation and amortization		**55,940**	43,419
Office expenses		**50,516**	37,522
Rental commission		**49,813**	27,320
Advertising and marketing expenses		**43,979**	50,159
Costs of properties sold		**28,750**	6,267
Legal service expenses		**9,690**	7,382
Auditors' remuneration			
– Audit services		**4,681**	5,205
– Non-audit services		**823**	1,410
Impairment loss (reversed)/recognized for trade and other receivables		**(1,500)**	20,278
Other expenses		**14,589**	8,260
Total cost of sales, selling expenses, administrative expenses and other operating expenses		**1,030,508**	880,065

6 Employee benefit expense

	Note	**2016 RMB'000**	2015 RMB'000
Salaries, wages and other benefits		**199,794**	221,558
Contributions to defined contribution retirement plan		**14,349**	17,543
Equity-settled share-based payment expenses	*30(b)*	**5,040**	7,048
		219,183	246,149

The Group participates in a defined contribution retirement scheme established by the Beijing Municipal Labour Bureau and Shanghai Municipal Labour Bureau for its staff. The Group was required to make contributions to the retirement scheme at 20% and 22% of the gross salaries of its staff in Beijing and Shanghai, respectively, during the years ended 31 December 2016 and 2015.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

Contributions totaling RMB2,584,000 (2015: RMB3,323,000) were payable to the fund at the year-end.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year include three (2015: three) directors whose emoluments are reflected in the analysis shown in Note 31. The emoluments payable to the remaining two (2015: two) individuals during the year are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other emoluments	**5,865**	7,021
Retirement scheme contributions	**98**	44
	5,963	7,065

6 Employee benefit expense (continued)

(a) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands (in RMB)		
RMB2,000,000 – RMB3,000,000	**1**	–
RMB3,000,000 – RMB4,000,000	**1**	2

During the year ended 31 December 2016 and 2015, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

7 Other gains – net

	Note	**2016 RMB'000**	2015 RMB'000
Gains on disposal of investment properties	*(i)*	**501,348**	–
Gains on disposal of subsidiaries		**–**	114,728
Gains on liquidation of subsidiaries		**–**	72,323
Gains on disposal of a joint venture		**–**	1,050,952
		501,348	1,238,003

(i) As at 29 July 2016, the Group completed the disposal of one investment property, SOHO Century Plaza, to Guo Hua Life Insurance Co.,Ltd. for a total consideration of approximately RMB3,221,581,000. The net gain on disposal of RMB501,073,000 is recognized in 'other gains – net'.

8 Finance income and finance expenses

	2016 RMB'000	2015 RMB'000
Finance income		
Interest income	**121,195**	380,485
	121,195	380,485
Finance expenses		
Interest on bank borrowings	**836,908**	783,874
Interest expenses on senior notes	**260,616**	553,727
Interest expenses on corporate bonds	**101,041**	–
Less: Interest expense recognized into investment properties under development*	**(396,371)**	(477,509)
	802,194	860,092
Net foreign exchange losses	**2,242**	36,550
Net losses on settlement of financial assets at fair value through profit or loss: Held for trading	**15,185**	21,377
Bank charges and others	**904**	8,892
	820,525	926,911

* *The borrowing costs were capitalized at a rate of 4.51 % ~ 4.90 % per annum (2015: 4.90% ~ 6.58%).*

9 Income tax expense

(a) Income tax in the consolidated income statement represents:

	2016 RMB'000	2015 RMB'000
PRC Corporate Income Tax		
– Provision for the year	**546,445**	488,592
– Under provision in respect of prior years	**26,769**	29,113
Land Appreciation Tax	**312,142**	73,234
Deferred tax	**205,254**	253,057
	1,090,610	843,996

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Company and the Company's subsidiaries registered in the BVI and the Cayman Islands are not subject to any income tax.

(ii) In accordance with the Corporate Income Tax Law of the People's Republic of China, the income tax rate applicable to the Company's subsidiaries in the PRC is 25% (2015: 25%).

(iii) In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed and sold in the PRC by the Group. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 50%.

(iv) According to the Implementation Rules of the Corporate Income Tax Law of the People's Republic of China, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognized for the dividends that have been declared, and deferred tax liability is recognized for those to be declared in the foreseeable future.

9 Income tax expense (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016 RMB'000	2015 RMB'000
Profit before income tax	**1,999,350**	1,407,468
Income tax computed by applying the tax rate of 25% (2015: 25%)	**499,838**	351,867
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	**(78,036)**	(18,309)
Tax losses not recognised	**18,849**	72,343
Under-provision in prior years	**26,769**	29,113
Tax effect of non-deductible expenses	**287,298**	353,829
Non-taxable income	**–**	(18,081)
Provision for Land Appreciation Tax for the year	**312,142**	73,234
Dividend withholding tax	**23,750**	–
Actual tax expense	**1,090,610**	843,996

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB910,232,000 (2015: RMB537,632,000) and the weighted average of 5,192,502,000 ordinary shares (2015: 5,192,476,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Note	2016 Share'000	2015 Share'000
Issued ordinary shares at 1 January		**5,199,524**	5,199,524
Effect of treasury shares	*26(b)(ii)*	**(7,610)**	(8,157)
Effect of Awarded Shares vested	*27(b)*	**588**	1,109
Weighted average number of ordinary shares during the year		**5,192,502**	5,192,476

10 Earnings per share (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB910,232,000 (2015: RMB537,632,000) and the weighted average of 5,192,556,000 ordinary shares (2015: 5,194,068,000), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2016 **RMB'000**	2015 RMB'000
Profit attributable to ordinary equity shareholders	**910,232**	537,632
Profit attributable to ordinary equity shareholders (diluted)	**910,232**	537,632

(ii) Weighted average number of ordinary shares (diluted)

	2016 **Share'000**	2015 Share'000
Weighted average number of ordinary shares	**5,192,502**	5,192,476
Effect of deemed vesting of the awarded shares	**54**	1,592
Weighted average number of ordinary shares (diluted)	**5,192,556**	5,194,068

11 Investment properties

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At fair value			
At 1 January 2015	35,616,700	17,258,360	52,875,060
Additions	61,755	1,675,731	1,737,486
Transferred from investment properties under development	10,377,000	(10,377,000)	–
Transferred from completed properties held for sale	187,401	–	187,401
Fair value gains	(160,856)	364,909	204,053
At 31 December 2015	46,082,000	8,922,000	55,004,000
At 1 January 2016	**46,082,000**	**8,922,000**	**55,004,000**
Additions	**73,900**	**1,449,725**	**1,523,625**
Transferred from investment properties under development	**4,840,000**	**(4,840,000)**	**–**
Transferred from completed properties held for sale	**32,873**	**–**	**32,873**
Disposal of investment properties	**(2,743,865)**	**–**	**(2,743,865)**
Fair value gains	**641,092**	**629,275**	**1,270,367**
At 31 December 2016	**48,926,000**	**6,161,000**	**55,087,000**

(a) As at 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: RMB nil).

11 Investment properties (continued)

(b) Valuation basis

An independent valuation of the Group's investment properties was performed by valuers to determine the fair value of the investment properties as at 31 December 2016 and 2015. The valuations were carried out by Jones Lang LaSalle Limited ("JLL") and by CB Richard Ellis Ltd. ("CBRE") respectively. The following table analyses the investment properties carried at fair value, by valuation method.

Description	Fair value measurements at 31 December 2016 using significant unobservable inputs (Level 3) RMB'000
Investment properties:	
– Investment properties under construction	6,161,000
– Completed investment properties located in Beijing	22,287,000
– Completed investment properties located in Shanghai	26,639,000
	55,087,000

Valuation process of the Group

The Group's investment properties were valued at 31 December 2016 and 31 December 2015, by independent professionally qualified valuers, JLL and CBRE respectively, who hold recognized relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. 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 chief financial officer (CFO) and the Audit Committee (AC).

At the end of each financial reporting period the finance department:

- Verifies all major inputs to the independent valuation report;
- Analyses property valuation movements and changes in fair values when compared to the prior period valuation report;
- Holds discussions with the independent valuer and reports to the CFO and AC.

11 Investment properties (continued)

(b) Valuation basis (continued)

Valuation techniques

Fair values of properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the properties by reference to its development potential by deducting outstanding development costs together with developer's profit from the estimated capital value of the proposed development assuming completed as at the valuation date.

For completed investment properties, valuation was done primarily using direct comparison method. Income capitalization approach is also used as a reference method in deriving the final valuation results.

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

Under direct comparison method, comparable properties are selected and adjusted for differences in key attributes such as but not limited to locational factor and property size. The most significant input into this valuation approach is price per square meter.

When using income capitalization approach, unobservable inputs will be used and taken into account. These unobservable inputs includes:

11 Investment properties (continued)

(b) Valuation basis (continued)

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 Dec 2016 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties under construction	6,161,000	Residual method	Price per square meter	Office: 18,800-37,400 Retail: 18,800-37,400	The higher the price per square, the higher the fair value
			Cost to completion (Per square meter)	RMB10,553-RMB12,564	The higher the cost to completion, the lower the fair value
			Developer's profit (Per square meter)	RMB4,555-RMB6,971	The higher the developer's profit, the lower the fair value
Completed investment properties located in Beijing	22,287,000	Direct comparison method take reference to Income capitalization approach	Capitalization rate	4.5%-4.9%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (Per square meter per day)	RMB6.9-RMB16.4	The higher the rental per square meter, the higher the fair value
			Estimated price (Per square meter)	RMB51,400-RMB131,900	The higher the price per square, the higher the fair value
Completed investment properties located in Shanghai	26,639,000	Direct comparison method take reference to Income capitalization approach	Capitalization rate	5.1%-5.7%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (Per square meter per day)	RMB4.6-RMB15.1	The higher the rental per square, the higher the fair value
			Estimated price (Per square meter)	RMB31,400-RMB89,900	The higher the price per square, the higher the fair value

(c) Certain investment properties of the Group were pledged against the bank borrowings, details are set out in Note 22.

12 Property and equipment

	Office premises RMB'000	Serviced apartment properties RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2015					
Cost	354,462	330,390	62,602	5,618	753,072
Accumulated depreciation	(28,062)	(37,830)	(33,435)	(3,127)	(102,454)
Net book amount	326,400	292,560	29,167	2,491	650,618
Year ended 31 December 2015					
Opening net book amount	326,400	292,560	29,167	2,491	650,618
Additions	–	180,577	56,340	–	236,917
Disposals	–	–	(969)	–	(969)
Depreciation charge	(9,354)	(13,158)	(19,976)	(931)	(43,419)
Written back on disposals	–	–	544	–	544
Closing net book amount	317,046	459,979	65,106	1,560	843,691
At 31 December 2015					
Cost	354,462	510,967	117,973	5,618	989,020
Accumulated depreciation	(37,416)	(50,988)	(52,867)	(4,058)	(145,329)
Net book amount	317,046	459,979	65,106	1,560	843,691
At 1 January 2016					
Cost	**354,462**	**510,967**	**117,973**	**5,618**	**989,020**
Accumulated depreciation	**(37,416)**	**(50,988)**	**(52,867)**	**(4,058)**	**(145,329)**
Net book amount	**317,046**	**459,979**	**65,106**	**1,560**	**843,691**
Year ended 31 December 2016					
Opening net book amount	**317,046**	**459,979**	**65,106**	**1,560**	**843,691**
Additions	**–**	**–**	**6,518**	**–**	**6,518**
Depreciation charge	**(9,354)**	**(26,628)**	**(17,357)**	**(931)**	**(54,270)**
Closing net book amount	**307,692**	**433,351**	**54,267**	**629**	**795,939**
At 31 December 2016					
Cost	**354,462**	**510,967**	**124,491**	**5,618**	**995,538**
Accumulated depreciation	**(46,770)**	**(77,616)**	**(70,224)**	**(4,989)**	**(199,599)**
Net book amount	**307,692**	**433,351**	**54,267**	**629**	**795,939**

12 Property and equipment (continued)

(a) Revaluation of office premises

The Group's office premises were revalued by the management on an open market value basis by making reference to comparable sales transaction as available in the relevant market. The carrying amount of the office premises of the Group as at 31 December 2016 did not materially differ from their fair value.

The carrying amount of the office premises of the Group as at 31 December 2016 would have been RMB102,059,000 (2015: RMB105,142,000) had they been carried at cost less accumulated depreciation.

The fair value of office premises is revalued according to the sale price of the similar unit within the same properties and appropriate sales price discount on different floor and direction of the similar properties, and is within level 3 of the fair value hierarchy.

(b) Depreciation expense of RMB nil (2015: RMB nil) has been charged in 'cost of sales', RMB140,000 (2015: RMB135,000) in 'selling expenses', and RMB54,130,000 (2015: RMB43,284,000) in 'administrative expenses'.

(c) No property and equipment was pledged as collateral under borrowing agreements at 31 December 2016 (2015: RMB nil).

(d) During the year of 2016, the Group has no capitalized borrowing costs on qualifying assets.

13 Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place of establishment/ incorporation and operation	Principal activities	Issued and paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect
Beijing Redstone Newtown Real Estate Co., Ltd.*	Beijing, the PRC	Development of the Commune by the Great Wall project and Operation of serviced apartment	USD 10,000,000	–	95%
Hainan Redstone Industry Co., Ltd.*	Hainan, the PRC	Development of Boao Canal Village project	RMB 20,000,000	–	98.1%
Beijing SOHO Real Estate Co., Ltd.*	Beijing, the PRC	Development of Sanlitun SOHO project	USD 99,000,000	–	95%
Beijing Millennium Real Properties Development Co., Ltd.***	Beijing, the PRC	Development of Beijing Residency project	RMB 96,000,000	–	100%

13 Subsidiaries (continued)

Name of company	Place of establishment/ incorporation and operation	Principal activities	Issued/paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect
Beijing Yeli Real Properties Development Co., Ltd.***	Beijing, the PRC	Investment in Phase II of Guanghualu SOHO project	RMB 1,100,000,000	–	100%
Beijing Kaiheng Real Estate Co., Ltd*	Beijing, the PRC	Investment in and development of Chaoyangmen SOHO project and Galaxy SOHO project	USD 12,000,000	–	100%
Beijing Suo Tu Shi Ji Investment Management Co., Ltd.***	Beijing, the PRC	Development of ZhongGuan Cun SOHO project and Danling SOHO	RMB 10,000,000	–	100%
Beijing Zhanpeng Century Investment Management Co., Ltd.***	Beijing, the PRC	Investment in Tiananmen (Qianmen) project	RMB 50,000,000	–	100%
SOHO Exchange Limited	Cayman Islands	Investment in and development of Exchange-SOHO project	USD1,000	–	100%
Beijing Wangjing SOHO Real Estate Co., Ltd*	Beijing, the PRC	Investment in and development of Wangjing SOHO project	USD 99,000,000	–	100%
Beijing Bluewater Property Management Co., Ltd**	Beijing, the PRC	Development of SOHO Nexus Centre project	USD 120,000,000	–	100%
Beijing Fengshi Real Estate Development Co., Ltd***	Beijing, the PRC	Investment in Beijing Lize project	RMB 1,750,000,000	–	100%

13 Subsidiaries (continued)

Name of company	Place of establishment/ incorporation and operation	Principal activities	Issued/paid-in capital	Attributable equity interest Direct	Indirect
Shanghai Ding Ding Real Development Co., Ltd.*	Shanghai, the PRC	Investment in Bund SOHO project	USD 135,000,000	–	61.506%
SOHO (Shanghai) Investment CO., Ltd.***	Shanghai, the PRC	Investment in sky SOHO Project and Development of SOHO Zhongshan Plaza Project	RMB 1,500,000,000	–	100%
Shanghai Hong Sheng Real Estate Development Co., Ltd.***	Shanghai, the PRC	Investment in SOHO Fuxing Plaza project	RMB 955,000,000	–	100%
Shanghai Xusheng Property Co., Ltd.**	Shanghai, the PRC	Investment in Hongkou SOHO project	USD 180,000,000	–	100%
Shanghai Greentown Plaza Development Co., Ltd.***	Shanghai, the PRC	Investment in and development of SOHO Tianshan Plaza project	RMB 1,550,000,000	–	100%
Shanghai Changkun Real Estate development Co., Ltd.*	Shanghai, the PRC	Investment in Shanghai Gubei project	RMB 3,190,000,000	–	100%

* *The company is registered as a sino-foreign equity joint venture enterprise in the PRC.*

** *The company is registered as a wholly owned foreign enterprise in the PRC.*

*** *The company is registered as a limited liability company in the PRC.*

The total amount of non-controlling interest is RMB1,108,665,000 (2015:RMB1,122,657,000) which is considered not material to the Group.

There are no difference between the voting rights and the proportionate interest.

14 Investment in joint ventures

	2016 RMB'000	2015 RMB'000
Share of net assets	**6,277**	11,026
	6,277	11,026

Details of the Group's interest in the joint ventures as at 31 December 2016 were as follows:

Name of jointly controlled entity	Form of business structure	Place of incorporation and operation	Principal activities	Particulars of paid-in Capital and registered capital	Proportion of ownership interest held by a subsidiary
Shanghai Ying Bi Chang Sheng Enterprise Management Co., Ltd	Incorporated	Shanghai, the PRC	Properties Management	RMB 500,000	50%
CJ SOHO (Beijing) Co., Ltd	Incorporated	Beijing, the PRC	Commercial	RMB 45,000,000	50%

The operating results of the joint ventures are considered not material to the financial results of the Group.

15 Financial instruments by category

	2016 RMB'000	2015 RMB'000
Assets as per balance sheet		
At amortised cost		
Trade and other receivables excluding prepayments	**764,959**	854,703
Bank deposits	**596,864**	606,289
Cash and cash equivalents	**3,864,045**	8,405,967
	5,225,868	9,866,959

15 Financial instruments by category (continued)

	2016 RMB'000	2015 RMB'000
Liabilities as per balance sheet		
At amortised cost		
Senior notes	–	1,614,493
Corporate bonds	2,989,123	–
Bank borrowings	12,446,801	16,267,240
Trade and other payables excluding tax payables	3,806,682	4,199,633
	19,242,606	22,081,366

	2016 RMB'000	2015 RMB'000
Derivatives used for hedging		
Interest rate swaps – cash flow hedges	–	4,965

16 Deferred income tax

(a) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	1,439,850	1,357,223
– to be recovered within 12 months	133,058	81,883
	1,572,908	1,439,106
Deferred income tax liabilities:		
– to be recovered after more than 12 months	(6,340,927)	(6,001,871)
– to be recovered within 12 months	–	–
	(6,340,927)	(6,001,871)
Deferred income tax (liabilities)/assets, net	(4,768,019)	(4,562,765)

16 Deferred income tax (continued)

(b) The movement in deferred income tax assets and liabilities during the years ended 31 December 2016 and 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax arising from	*Note*	Tax losses RMB'000	Unpaid accrued cost and expenses RMB'000	Investment properties RMB'000	Office revaluation RMB'000	Total RMB'000
At 1 January 2015		26,159	1,399,491	(5,672,182)	(63,176)	(4,309,708)
Credited/(charged) to income statement	*9(a)*	34,246	(36,379)	(250,924)	–	(253,057)
At 31 December 2015		60,405	1,363,112	(5,923,106)	(63,176)	(4,562,765)
At 1 January 2016		**60,405**	**1,363,112**	**(5,923,106)**	**(63,176)**	**(4,562,765)**
Credited/(charged) to income statement	*9(a)*	**83,629**	**50,173**	**(339,056)**	**–**	**(205,254)**
At 31 December 2016		**144,034**	**1,413,285**	**(6,262,162)**	**(63,176)**	**(4,768,019)**

16 Deferred income tax (continued)

(b) (continued)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related benefit through the future profits is probable. These tax losses are going to expire within five years. The Group did not recognize deferred income tax assets in certain subsidiaries of RMB107,881,000 (2015: RMB94,586,000) in respect of losses amounting to RMB431,524,000 (2015: RMB378,344,000) that can be carried forward against future taxable income. As at 31 December 2016, RMB41,998,000, RMB88,255,000, RMB33,096,000, RMB192,780,000, and RMB75,395,000 of these tax losses will expire in 2017, 2018, 2019, 2020 and 2021, respectively.

As at 31 December 2016, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB41,492,200,000 (2015: RMB40,689,958,000). Deferred tax liabilities of RMB4,149,220,000 (2015: RMB4,068,996,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

17 Properties under development and completed properties held for sale

	2016 **RMB'000**	2015 RMB'000
Properties under development	**436,329**	385,237
Completed properties held for sale	**3,790,514**	3,818,835
	4,226,843	4,204,072

Properties under development are all located in the PRC.

18 Deposits and prepayments

Deposits and prepayments mainly represented amounts prepaid for acquisition of property development projects, construction fees and taxation expenses.

19 Trade and other receivables

	Note	**2016** **RMB'000**	2015 RMB'000
Trade receivables	*(a)*	**221,805**	255,848
Other receivables		**603,298**	660,499
Less: allowance for doubtful debts	*(b)*	**(60,144)**	(61,644)
		764,959	854,703
Less: non-current portion		**(286,701)**	(53,494)
Current portion		**478,258**	801,209

The carrying amounts of trade and other receivables approximate their respective fair values as at 31 December 2016 and 2015.

19 Trade and other receivables (continued)

(a) Aging analysis

The aging analysis of trade receivables based on due date is as follows:

	2016 RMB'000	2015 RMB'000
Current	96,800	89,108
Less than 1 month past due	30,431	26,191
Into 6 months past due	9,131	45,805
6 months to 1 year past due	600	3,732
More than 1 year past due	84,843	91,012
Amounts past due	125,005	166,740
	221,805	255,848

The Group's credit policy is set out in Note 2.1(b).

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see Note 1(m)).

	2016 RMB'000	2015 RMB'000
At 1 January	61,644	41,366
Impairment loss recognised, net	–	20,278
Impairment loss reversed	(1,500)	–
At 31 December	60,144	61,644

At 31 December 2016, the Group's trade and other receivables of RMB60,144,000 (2015: RMB61,644,000) were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that no receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB60,144,000 (2015: RMB61,644,000) were recognised. The Group does not hold any collateral over these balances.

19 Trade and other receivables (continued)

(c) Trade receivables that are not impaired

As of 31 December 2016, trade receivables of RMB93,004,000 (2015: RMB134,739,000) were past due but not impaired. These relate to a number of independent customers to whom the title deed of the property units have not been transferred. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The aging analysis of these trade receivables is as follows:

	2016 RMB'000	2015 RMB'000
Less than 1 month past due	**13,431**	9,191
Into 6 months past due	**9,131**	45,805
6 months to 1 year past due	**600**	3,732
More than 1 year past due	**69,842**	76,011
	93,004	134,739

20 Bank deposits

	Note	2016 RMB'000	2015 RMB'000
Bank deposits in non-current assets for:			
Guarantees for bank borrowings	*22(b)(i)*	**296,000**	296,095
Guarantees for construction fee payment	*(i)*	**42,764**	58,594
		338,764	354,689
Bank deposits in current assets for:			
Guarantees for mortgage loans	*(ii)*	**258,100**	251,600
		596,864	606,289

20 Bank deposits (continued)

The above bank deposits are restricted as follows:

(i) As at 31 December 2016, pursuant to a government regulation, the Group had deposits of RMB42,764,000 (2015: RMB58,594,000) as non-cancellable guarantees on construction fees payable to construction contractors. Should the Group fail to settle related construction fees, the bank can draw down the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(ii) The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. As at 31 December 2016, the Group had deposits of RMB258,100,000 (2015: RMB251,600,000) as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks or the related mortgage loans are repaid by buyers.

21 Cash and cash equivalents

	2016 **RMB'000**	2015 RMB'000
Cash on hand	**390**	384
Cash at bank	**2,602,253**	945,190
Term deposits with banks	**1,261,402**	7,460,393
Cash and cash equivalents in the balance sheet	**3,864,045**	8,405,967
Cash and cash equivalents in the consolidated cash flow statements	**3,864,045**	8,405,967

22 Bank borrowings

(a) The bank borrowings were repayable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	**2,954,963**	1,921,483
After 1 year but within 2 years	**640,638**	3,500,549
After 2 years but within 5 years	**2,679,617**	8,485,208
After 5 years	**6,171,583**	2,360,000
	9,491,838	14,345,757
	12,446,801	16,267,240

The Group's borrowings denominated in RMB, HKD and USD respectively are set out as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Denominated in:		
– RMB	**11,429,402**	7,907,937
– HKD	**1,017,399**	4,282,622
– USD	**–**	4,076,681
	12,446,801	16,267,240

22 Bank borrowings (continued)

(a) (continued)

The bank borrowings were secured as follows:

	2016 RMB'000	2015 RMB'000
Secured	**12,446,801**	16,267,240
	12,446,801	16,267,240

(b) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain bank borrowings granted to the Group at 31 December:

(i) As at 31 December 2016, RMB12,446,801,000 (2015: RMB8,879,826,000) bank borrowings of the Group were secured by following items:

	2016 RMB'000	2015 RMB'000
Investment properties	**44,980,000**	44,762,900
Bank deposits	**296,000**	296,095
	45,276,000	45,058,995

(ii) As at 31 December 2016, RMB nil bank borrowings (2015: RMB5,786,706,000) of the Group were guaranteed by all the subsidiaries of the Company that are not incorporated in the PRC, excluding three foreign subsidiaries who directly or indirectly hold the Bund SOHO project.

(iii) As at 31 December 2016, RMB nil bank borrowings (2015: RMB1,600,708,000) of the Group were guaranteed by Mr. Pan Shiyi and all the subsidiaries of the Company that are not incorporated in the PRC, excluding three foreign subsidiaries who directly or indirectly hold the Bund SOHO project.

22 Bank borrowings (continued)

(c) The effective interest rates per annum on bank borrowings at amortised cost are as follows:

	2016 %	2015 %
Bank borrowings included in current liabilities	**2.73-5.15**	2.73-6.55
Bank borrowings included in non-current liabilities	**2.73-5.15**	2.73-6.58

(d) Bank borrowings of RMB1,017,399,000 (2015: RMB10,923,799,000) are subject to the fulfillment of covenants relating to certain targets of the Group's results of operation and financial position and the ratio of distribution to profit attributable to equity shareholders of the Company, as are commonly found in lending arrangements with financial institutions. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 2.1(c). As at 31 December 2016, none of the covenants relating to drawn down facilities had been breached.

(e) The carrying amount of bank borrowings are not materially different from their fair value as at 31 December 2016 and 2015. The fair value are based on cash flows discounted using a market rate and are within level 2 of the fair value hierarchy.

23 Rental and sales deposits

Rental and sales deposits represented proceeds received on property unit rental and sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

24 Trade and other payables

	Note	2016 RMB'000	2015 RMB'000
Accrued expenditure on construction	*(i)*	**1,819,899**	2,402,210
Consideration payable for acquisition of subsidiaries and joint ventures		**100,000**	100,000
Amounts due to related parties	*30(a)*	**814,382**	814,382
Others		**1,072,401**	883,041
Financial liabilities measured at amortised costs		**3,806,682**	4,199,633
Other tax payable	*(ii)*	**116,694**	379,033
		3,923,376	4,578,666

The carrying amounts of trade and other payables approximate their fair values.

(i) These accrued expenditure payables on construction are expected to be settled within a year.

The aging analysis of accrued expenditure on construction based on due date is as follows:

	2016 RMB'000	2015 RMB'000
Due within 1 month or on demand	**1,763,007**	2,355,022
Due after 1 month but within 3 months	**56,892**	47,188
	1,819,899	2,402,210

(ii) Other tax payable mainly comprised business tax payable, deed tax payable, urban real estate tax payable, stamp duty payable and withholding tax payable.

25 Corporate bonds

A wholly owned subsidiary of the Company, Beijing Wangjing SOHO Real Estate Co., Ltd., issued Corporate Bonds on 26 January 2016 in the aggregate amount of RMB3,000,000,000 at the coupon rate of 3.45% for a term of 3 years. The Corporate Bonds were listed on the Shanghai Stock Exchange and guaranteed by the Company.

26 Capital, reserves and dividends

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2016 RMB'000	2015 RMB'000
Special dividend declared and paid of RMB0.19 per ordinary share (2015: RMB0.348 per ordinary share)	**987,910**	1,809,434
Special dividend proposed after the balance sheet date of RMB0.346 per ordinary share (2015: RMB0.348 per ordinary share)	**1,799,035**	1,809,434
	2,786,945	3,618,868

The special dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2016 RMB'000	2015 RMB'000
Special dividend in respect of the previous financial year, approved and paid during the year of RMB0.348 per ordinary share (2015: RMB nil per ordinary share)	**1,809,434**	–
Final dividend in respect of the previous financial year, approved and paid during the year of RMB nil per ordinary share (2015: RMB0.13 per ordinary share)	**–**	675,765
	1,809,434	675,765

26 Capital, reserves and dividends (continued)

(b) Share capital and treasury shares

(i) Share capital

	2016		2015	
	No. of shares Share'000	**Share capital RMB'000**	No. of shares Share'000	Share capital RMB'000
Authorised:				
Ordinary shares of HKD0.02 each	**7,500,000**		7,500,000	
Issued and fully paid:				
At 1 January	**5,199,524**	**106,112**	5,199,524	106,112
At 31 December	**5,199,524**	**106,112**	5,199,524	106,112

During the year ended 31 December 2016, no option was exercised to subscribe for ordinary shares of the Company (2015: nil).

(ii) Treasury shares

	Note	2016		2015	
		No. of shares Share'000	**Share capital RMB'000**	No. of shares Share'000	Share capital RMB'000
At 1 January		**7,122**	**32,338**	8,009	36,033
Shares purchased for employees' share award scheme		**1,131**	**3,636**	1,064	3,357
Vesting of shares under employees' share award scheme	*27(b)*	**(1,360)**	**(5,248)**	(1,951)	(7,052)
At 31 December		**6,893**	**30,726**	7,122	32,338

26 Capital, reserves and dividends (continued)

(b) Share capital and treasury shares (continued)

(ii) Treasury shares (continued)

Details of treasury shares purchased during the year ended 31 December 2016 are as follows:

Month/year	Number of shares Repurchased Share	Average price paid per share HKD	Aggregate price paid HKD
June 2016	752,500	3.5483	2,670,096
October 2016	378,500	4.1802	1,582,206
	1,131,000		4,252,302

(iii) Terms of unexpired and unexercised share options at balance sheet date

Exercise period	Exercise price	**2016 Number**	2015 Number
6 November 2013 to 5 November 2022	HKD5.53	**8,184,000**	8,184,000
		8,184,000	8,184,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 27.

(c) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

26 Capital, reserves and dividends (continued)

(c) Nature and purpose of reserves (continued)

(ii) Capital reserve

The capital reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and the Awarded Shares (see Note 27).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(u).

(iv) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for office premises in Note 1(j).

The revaluation reserve of the Company in respect of office premises is distributable to the extent of RMB nil (2015: RMB nil).

(v) General reserve fund

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

27 Equity settled share-based transactions

(a) Employees' share option schemes

The Company has adopted a Pre-IPO share option scheme and an IPO share option scheme on 14 September 2007, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any Company in the Group, to take up options at HKD1 consideration to subscribe for shares of the Company. The options vest in a period of three to seven years from the date of grant and are exercisable within a period of six to ten years. Each option gives the holder the right to subscribe for one ordinary share of the Company.

(i) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 8 October 2007	1,573,750	Three years from the date of grant	6 years
– on 30 January 2008	1,124,000	Three years from the date of grant	6 years
– on 30 June 2008	500,000	Three years from the date of grant	6 years
– on 6 November 2012	8,184,000	Seven years from the date of grant	10 years
Options granted to employees:			
– on 8 October 2007	10,484,250	Three years from the date of grant	6 years
– on 30 January 2008	6,135,000	Three years from the date of grant	6 years
– on 30 June 2008	580,000	Three years from the date of grant	6 years
Total share options	28,581,000		

27 Equity settled share-based transactions (continued)

(a) Employees' share option schemes (continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2016		2015	
	Weighted average exercise price HKD	Number of options '000	Weighted average exercise price HKD	Number of options '000
Outstanding at the beginning of the year	5.53	8,184	5.53	8,184
Outstanding at the end of the year	5.53	8,184	5.53	8,184
Exercisable at the end of the year	5.53	3,274	5.53	2,455

The options outstanding at 31 December 2016 had an exercise price of HKD5.53 (2015: HKD5.53).

27 Equity settled share-based transactions (continued)

(a) Employees' share option schemes (continued)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Model or Binomial Tree Pricing Method. The contractual life of the share option is used as an input into these models. Expectations of early exercise are incorporated into the Black-Scholes Model or Binomial Tree Pricing Method.

	Granted on 30 June 2008	Granted on 30 January 2008	Granted on 8 October 2007	Granted on 6 November 2012
Fair value at measurement date	HKD1.51	HKD2.24	HKD3.25	HKD1.79
Share price	HKD4.25	HKD6.10	HKD8.30	HKD5.53
Exercise price	HKD4.25	HKD6.10	HKD8.30	HKD5.53
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Model or Binomial Tree Pricing Method)	49.36%	46.35%	45.91%	48.37%
Expected dividends	2.28%	0.52%	0.48%	5.56%
Risk-free interest rate (based on Exchange Fund Notes)	3.11%	1.98%	3.93%	0.65%

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the dividends policies of the Company.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants.

27 Equity settled share-based transactions (continued)

(b) Employees' share award scheme

Employees' share award scheme in which all employees (including without limitation any executive directors) of the Group would be entitled to participate was launched by the Group on 23 December 2010. The purpose of the employees' share award scheme is to give incentive to participants in order to retain them for the continued operation and development of the Group. Vested shares will be transferred at no cost to the selected employees. For employees who are granted the shares but cease employment with the Group before vesting, the unvested shares are forfeited.

The fair value of each share granted is based on the share price at grant date which could be obtained from the stock market directly. Shares are granted under a service condition. There is no market conditions associated with the shares awards.

Details of the shares awarded and vested during 2015 and 2016 are set out below:

Month of shares purchased	Number of shares purchased	Consideration of shares purchased HKD'000	Month of award	Number of shares awarded HKD	Number of awarded shares vested	Average fair value vested per share	Vesting period	Remaining vesting period
September 2009	735,000	3,313	March 2011	735,000	–	5.97	9 March 2012 - 9 March 2014	–
September 2009	1,299,500	5,857	January 2012	1,299,500	(396,899)	5.24	13 January 2013 - 13 January 2015	–
September 2009	175,500	791	November 2012	175,500	–	5.61	7 November 2013 - 7 November 2019	–
September 2011	232,000	1,157	November 2012	232,000	–	5.61	7 November 2013 - 7 November 2019	–
October 2011	3,113,000	15,194	November 2012	3,113,000	(1,300,448)	5.61	7 November 2013 - 7 November 2019	2.85 year
November 2011	1,038,000	5,188	November 2012	1,038,000	–	5.61	7 November 2013 - 7 November 2019	2.85 year
June 2012	155,500	838	November 2012	155,500	–	5.61	7 November 2013 - 7 November 2019	2.85 year
October 2012	188,000	945	November 2012	188,000	–	5.61	7 November 2013 - 7 November 2019	2.85 year
November 2012	264,700	1,498	November 2012	264,700	–	5.61	7 November 2013 - 7 November 2019	2.85 year
November 2012	3,270,300	18,503	March 2013	1,428,500	(785,176)	6.08	6 March 2013 - 6 March 2016	–
June 2013	230,500	1,536	April 2014	1,281,500	(828,829)	6.55	4 April 2014 - 4 April 2017	0.27 years
June 2014	222,000	1,359						
October 2014	216,500	1,284						
June 2015	211,500	1,115						
December 2015	855,000	2,977						
June 2016	752,500	2,670						
October 2016	378,500	1,582						
Total	13,338,000	65,807		9,911,200	(3,311,352)			

27 Equity settled share-based transactions (continued)

(b) Employees' share award scheme (continued)

Movements in the number of shares awarded and dividend shares were as follows:

	2016 Number of awarded shares and dividend shares	2015 Number of awarded shares and dividend shares
Outstanding at 1 January	**5,150,481**	6,926,859
Vested	**(987,599)**	(1,760,613)
Dividend shares		
– allocated to awardees	**1,443,331**	174,821
– vested	**(372,554)**	(190,586)
Unvested shares forfeited	**(34,689)**	–
Outstanding at 31 December	**5,198,970**	5,150,481

28 Balance sheet and equity movement of the Company

(a) Balance sheet of the Company

	Note	As at 31 December	
		2016	2015
		RMB'000	RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**294,748**	294,748
Long-term receivables		**–**	53,494
Amounts due from subsidiaries		**–**	212,175
		294,748	560,417
Current assets			
Amounts due from subsidiaries		**18,405,542**	17,660,419
Cash and cash equivalents		**187,289**	2,779,252
		18,592,831	20,439,671
Total assets		**18,887,579**	21,000,088
Equity and liabilities			
Equity			
Share capital	*28 (b)*	**106,112**	106,112
Reserves	*28 (b)*	**(2,334,401)**	245,135
Total equity		**(2,228,289)**	351,247

28 Balance sheet and equity movement of the Company (continued)

(a) Balance sheet of the Company (continued)

	Note	As at 31 December	
		2016	2015
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Bank borrowings		**913,570**	6,437,820
Senior notes		**–**	1,614,493
Derivative financial instruments		**–**	4,965
		913,570	8,057,278
Current liabilities			
Bank borrowings		**103,829**	1,921,483
Other payables		**56,907**	63,575
Amounts due to subsidiaries		**20,041,562**	10,606,505
		20,202,298	12,591,563
Total liabilities		**21,115,868**	20,648,841
Total equity and liabilities		**18,887,579**	21,000,088

The balance sheet of the Company was approved by the Board of Directors on 23 March 2017 and were signed on its behalf

Pan Shiyi
Name of Director

Pan Zhang Xin Marita
Name of Director

28 Balance sheet and equity movement of the Company (continued)

(b) Share capital and reserve movement of the Company

	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2015		106,112	7,677,208	9,661	48,814	(2,206,993)	(1,993,100)	3,641,702
Loss for the year		–	–	–	–	–	(900,582)	(900,582)
Other comprehensive income		–	–	–	–	96,277	–	96,277
Total comprehensive income		–	–	–	–	96,277	(900,582)	(804,305)
Repurchase of own shares								
– par value paid		–	–	–	–	–	–	–
– premium paid		–	–	–	–	–	–	–
– transfer between reserves		–	–	–	–	–	–	–
Dividends approved in respect of the previous year	*26(a)*	–	(675,765)	–	–	–	–	(675,765)
Dividends declared in respect of the current year	*26(a)*	–	(1,809,434)	–	–	–	–	(1,809,434)
Employees' share award scheme	*27(b)*	–	–	–	5,796	–	–	5,796
Employees' share option schemes	*27(a)*	–	–	–	1,252	–	–	1,252
Vesting of shares under employees' share award scheme	*27(b)*	–	1,376	–	(8,428)	–	–	(7,052)
Hedging		–	–	–	(947)	–	–	(947)
At 31 December 2015		106,112	5,193,385	9,661	46,487	(2,110,716)	(2,893,682)	351,247

	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits/ (accumulated loss) RMB'000	Total RMB'000
At 1 January 2016		**106,112**	**5,193,385**	**9,661**	**46,487**	**(2,110,716)**	**(2,893,682)**	**351,247**
Profits for the year		**–**	**–**	**–**	**–**	**–**	**345,839**	**345,839**
Other comprehensive income		**–**	**–**	**–**	**–**	**(132,788)**	**–**	**(132,788)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(132,788)**	**345,839**	**213,051**
Dividends approved in respect of the previous year	*26(a)*	**–**	**(1,809,434)**	**–**	**–**	**–**	**–**	**(1,809,434)**
Dividends declared in respect of the current year	*26(a)*	**–**	**(987,910)**	**–**	**–**	**–**	**–**	**(987,910)**
Employees' share award scheme	*27(b)*	**–**	**–**	**–**	**3,743**	**–**	**–**	**3,743**
Employees' share option schemes	*27(a)*	**–**	**–**	**–**	**1,297**	**–**	**–**	**1,297**
Vesting of shares under employees' share award scheme	*27(b)*	**–**	**3,121**	**–**	**(8,369)**	**–**	**–**	**(5,248)**
Hedging	*15*	**–**	**–**	**–**	**4,965**	**–**	**–**	**4,965**
At 31 December 2016		**106,112**	**2,399,162**	**9,661**	**48,123**	**(2,243,504)**	**(2,547,843)**	**(2,228,289)**

29 Commitments and contingent liabilities

(a) Commitments

(i) Commitments in respect of properties under development, investment properties and purchase of properties outstanding at 31 December not provided for in the financial statements were as follows:

	2016 RMB'000	2015 RMB'000
Contracted for	**1,222,474**	2,130,348
Authorized but not contracted for	**2,552,150**	3,423,096
	3,774,624	5,553,444

(b) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. For most mortgages, the guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property units are delivered to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was RMB2,285,779,000 as at 31 December 2016 (2015: RMB4,481,661,000).

(c) Investment properties and properties held for sale

The Group leases out investment properties and certain properties held for sale under operating leases. The leases typically run for an initial period of 1 to 8 years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease revenue under non-cancellable operating leases are receivable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**1,555,475**	1,290,019
After 1 year but within 5 years	**2,696,864**	2,757,436
After 5 years	**250,065**	263,479
	4,502,404	4,310,934

29 Commitments and contingent liabilities (continued)

(d) Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Directors believe that any resulting liabilities will not have a material adverse effect on the financial position, liquidity, or operating results of the Group.

30 Material related party transactions

(a) Amounts due to related parties and corresponding transactions

Amounts due to related parties, included in current liabilities, comprise:

	Note	**2016** **RMB'000**	2015 RMB'000
China Fortune Properties	*(i)*	**345,281**	345,281
Shanghai Rural Commercial Bank	*(i)*	**345,281**	345,281
Wang Rensheng	*(i)*	**123,820**	123,820
		814,382	814,382

(i) The balances as at 31 December 2016 mainly represented the advances of RMB814,382,000 (2015: RMB814,382,000) from China Fortune Properties (Group) Co., Ltd. ("China Fortune Properties"), Shanghai Rural Commercial Bank and Wang Rensheng, the non-controlling equity holders of a subsidiary, Shanghai Ding Ding Real Estate Development Co., Ltd., which were interest-free, unsecured and had no fixed term of repayment.

30 Material related party transactions (continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 31 and certain of the highest paid employees as disclosed in Note 6(a) is as follows:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	18,208	24,678
Post-employment benefits	196	132
Share-based payments	5,040	7,048
	23,444	31,858

(c) None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

31 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2016:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of benefit RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman							
Pan Shiyi	240	960	1,520	29	147	49	2,945
Executive directors							
Pan Zhang Xin Marita	180	282	1,162	–	116	–	1,740
Yan Yan	240	2,237	1,820	29	137	49	4,512
Tong Ching Mau*	149	1,160	1,003	–	71	–	2,383
Independent non-executive directors							
Cha Mou Zing, Victor	287	–	–	–	–	–	287
Xiong Ming Hua	287	–	–	–	–	–	287
Sun Qiang Chang	287	–	–	–	–	–	287
Total	1,670	4,639	5,505	58	471	98	12,441

Notes:

* *Tong Ching Mau was appointed in May 2016*

31 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2015:

Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing Allowance RMB'000	Estimated money value of benefit RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman							
Pan Shiyi	240	2,764	2,764	26	152	44	5,990
Executive directors							
Pan Zhang Xin Marita	240	2,475	2,475	–	108	–	5,298
Yan Yan	240	2,696	2,292	26	110	44	5,408
Jim Lam*	–	123	104	–	–	–	227
Independent non-executive directors							
Ramin Khadem**	109	–	–	–	–	–	109
Cha Mou Zing, Victor	269	–	–	–	–	–	269
Yi Xiqun**	96	–	–	–	–	–	96
Xiong Ming Hua***	174	–	–	–	–	–	174
Sun Qiang Chang***	174	–	–	–	–	–	174
Total	1,542	8,058	7,635	52	370	88	17,745

Notes:

* *Jim Lam was appointed in August 2015 and resigned in September 2015.*

** *Ramin Khadem and Yi Xiqun retired in May 2015.*

*** *Xiong Ming Hua and Sun Qiang Chang were appointed in May 2015.*

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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