瑞安房地產
SHUI ON LAND

Stock Code: 272

PROGRESS WITH STABILITY

Annual Report 2017

Shui On Land Limited

CLIMBING UP WITH PRUDENCE IN A CHALLENGING WORLD

Despite the market headwinds, Shui On Land continues to take a cautious approach and pursue our Asset Light Strategy to remain on an upward trend.

INNOVATIVE PROPERTY DEVELOPER IN CHINA

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

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

Shui On Land's landbank stood at 11.5 million sq.m. (9.5 million sq.m. of leasable and saleable GFA, and 2.0 million sq.m. of clubhouses, car parking spaces and other facilities). Its nine projects, in various stages of development, are all situated in prime locations within the key cities of Shanghai, Chongqing, Wuhan, Dalian and Foshan.

OUR COMMITMENT TO

INVESTORS

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

CUSTOMERS

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

COMMUNITY

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

ENVIRONMENT

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

EMPLOYEES

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

VISION

To Be The Premier And Most Innovative Property Developer In China

BRAND PROMISE

Innovation • Quality • Excellence

SHUI ON SPIRIT

Integrity • Dedication • Innovation • Excellence

We Sustain Our Vision By Integrating Quality Into All Of Our Operations And Aspiring To World-Class Standards Of Excellence In Management, Planning, Execution And Corporate Governance.

CONTENTS

FINANCIAL HIGHLIGHTS

OPERATING RESULTS for the Year Ended 31 December

	2017 HKD'million	2016 HKD'million	2017 RMB'million	2016 RMB'million
Turnover	**21,329**	20,539	**18,451**	17,600
Represented by:				
Property development	**18,691**	18,210	**16,169**	15,604
Property investment	**2,267**	2,002	**1,961**	1,716
Construction	**224**	259	**194**	222
Others	**147**	68	**127**	58
Gross profit	**9,084**	6,891	**7,858**	5,905
Increase in fair value of the remaining investment properties	**599**	1,372	**518**	1,176
Profit attributable to shareholders	**1,929**	1,270	**1,669**	1,088
Core earnings of the Group	**3,638**	2,098	**3,147**	1,798
Basic earnings per share	**HKD24.1 cents**	HKD15.9 cents	**RMB20.8 cents**	RMB13.6 cents
Dividend per share				
Interim paid	**HKD0.03**	HKD0.011	**HKD0.03**	HKD0.011
Proposed final	**HKD0.07**	HKD0.039	**HKD0.07**	HKD0.039
Full year	**HKD0.10**	HKD0.05	**HKD0.10**	HKD0.05

Note:

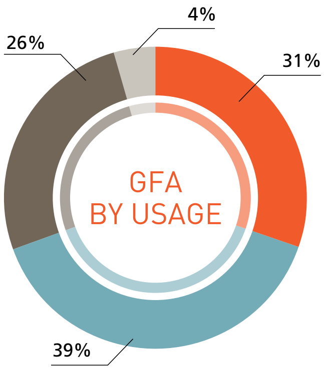
Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.156 for 2017 and RMB1.000 to HKD1.167 for 2016 being the average exchange rates that prevailed during the respective years.

FINANCIAL POSITION as of 31 December

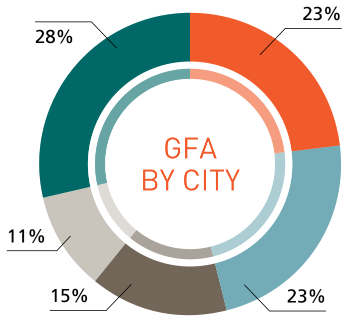
	2017 RMB'million	2016 RMB'million
Total cash and bank deposits	**16,760**	15,567
Total assets	**114,292**	122,213
Total equity	**49,175**	46,256
Total debt	**41,699**	47,123
Bank borrowings	**30,993**	29,811
Senior notes	**10,706**	17,312
Net gearing ratio*	**51%**	68%

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

LANDBANK as of 31 December 2017



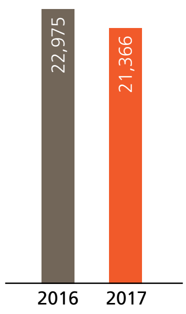
	million sq.m.
Residential	2.9
Office	3.7
Retail	2.5
Hotel/ Serviced Apartments	0.4
Total leasable and saleable GFA	9.5
Attributable GFA	5.9



	million sq.m.
Shanghai	2.2
Wuhan	2.2
Chongqing	1.4
Foshan	1.0
Dalian	2.7
Total leasable and saleable GFA	9.5
Attributable GFA	5.9

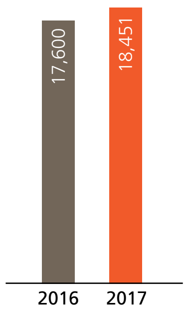
CONTRACTED PROPERTY SALES & OTHER ASSET DISPOSAL

(RMB'million)



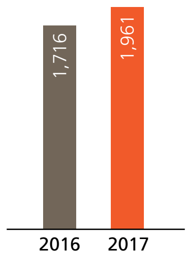
TURNOVER

(RMB'million)



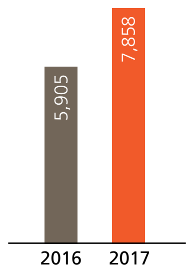
RENTAL AND RELATED INCOME

(RMB'million)



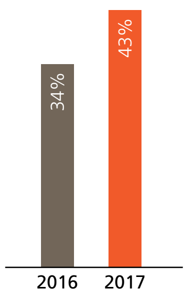
GROSS PROFIT

(RMB'million)



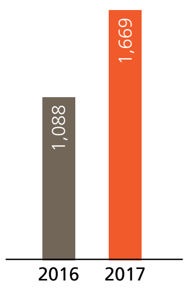
GROSS PROFIT MARGIN

(%)



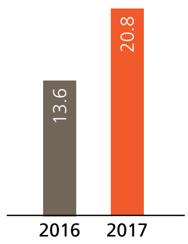
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB'million)



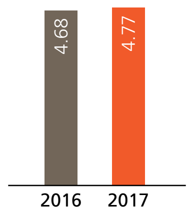
BASIC EARNINGS PER SHARE

(RMB'cent/share)



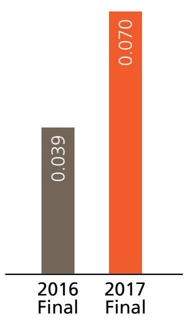
SHAREHOLDERS' EQUITY PER SHARE

(RMB/share)



DIVIDEND PER SHARE

(HKD/share)

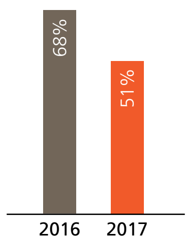


TOTAL ASSETS

(RMB'million)

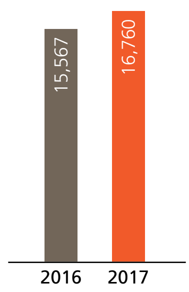
NET GEARING RATIO

(%)



TOTAL CASH AND BANK DEPOSITS

(RMB'million)



ACHIEVEMENT HIGHLIGHTS

The Group received multiple professional certifications from the U.S. Green Building Council and Ministry of Housing and Urban-Rural Development of the People's Republic of China, including:

LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED)

The commercial renovation project of Shui On Plaza was pre-certified LEED for Core & Shell – Gold in May.

CHINESE GREEN BUILDING EVALUATION LABEL

Wuhan Tiandi Lot B14 obtained a 1-star certification by the Chinese Green Building Evaluation Label in January.

Wuhan Tiandi Lot B45 obtained a 1-star certification by the Chinese Green Building Evaluation Label in March.

THE GROUP

FEBRUARY

The Group won the First Prize of Huaxia Awards for Construction Science and Technology by the Award Committee of Huaxia Awards for Construction Science and Technology.

The Group won the Green Supply Chain Shanghai Best Practice 2016 – Industry Pioneers Awards jointly presented by the China-ASEAN Environmental Cooperation Center, Shanghai Society for Environmental Sciences, Shanghai Association of Foreign Investment and Environmental Defense Fund.

MAY

The Group won the Advanced Member Unit awarded by Shanghai Green Building Council.

JUNE

The Group won the 2016 GoldenBee CSR China Honor Roll GoldenBee Sustainable Product & Service Award by China WTO Tribune.

The Group won "15th of 2017 Top 20 China Green Property Developers", "9th of 2017 Top 10 China Green Property Developers – Commercial Category", and "6th of 2017 Top 10 China Green Property Operations" by Standard Ranking.

SEPTEMBER

The Group won Shanghai 2040: Innovations and Sustainability Awards – 2017 Sustainability Influencer Award and 2017 Sustainability Best Practice Award jointly presented by Jiefang Daily, Shanghai Daily and Eastday.com.

DECEMBER

Shui On Land 2016 Corporate Social Responsibility Report won the GoldenBee Excellent CSR Report 2017 – Foreign-Invested and Hong Kong, Macao, Taiwan-Invested Enterprise by China WTO Tribune.

The Group won 2017 Best CSR Practices of Foreign-Invested Enterprises in China – Win-win Value Chain Award by China Association of Enterprises with Foreign Investment.

The Group won 2017 CBN The Corporate Social Responsibility Ranking in China – CSR Innovation Award.

The Group won 2017 Leading Enterprise by Shanghai Construction & Development Association.

The Group won China Green Building TOP Rankings – 2017 Top 10 Most Competitive Green Property Developers and 2017 Top 10 Green Property Operations jointly conferred by China Real Estate Business, CIHAF Organizing Committee, and China Green Building Industry Development Alliance.

THE GROUP'S 2016 ANNUAL REPORT WON MULTIPLE AWARDS FROM PROFESSIONAL ORGANISATIONS:

The following 9 awards conferred by the 2017 International ARC Awards:

- Gold Award (Photography: Real Estate Integrated Development & Investment)
- Gold Award (Interior Design: Real Estate Integrated Development & Investment)
- Silver Award (Traditional Annual Report: Real Estate Integrated Development & Investment)
- Honors (Printing & Production: Real Estate Integrated Development & Investment)
- Silver Award (Printing & Production: Real Estate Development/SVC: Various & Multi-Use)
- Silver Award (Financial Data: Real Estate Development/SVC: Various & Multi-Use)

- Silver Award (Traditional Annual Report: Real Estate Development/SVC: Various & Multi-Use)
- Bronze Award (Written Text: Real Estate Development/SVC: Various & Multi-Use)
- Bronze Award (Cover Photo/Design: Real Estate Development/SVC: Various & Multi-Use)

Received Citation for Design in The Hong Kong Management Association's Best Annual Reports Awards 2017.

SUBSIDIARIES AND PROJECTS

China Xintiandi won the Single-agency Bronze Award of the 4th Agency Marketer Partnership Awards. In the same year, it was named as "2017 Excellent Group Partner of Best Complex".

Feng Cheng Property Management received multiple honors in 2017, including "2017-2019 Shanghai Property Management Integrity Commitment Class-A Enterprise" by Shanghai Property Management Association.

Shanghai Taipingqiao project received multiple honors in 2017. Shanghai Xintiandi won the 2017 ICSC Asia-Pacific Shopping Centre Awards-Silver Award for Marketing by the International Council of Shopping Centers (ICSC). HUBINDAO won TimeOut Top Family-friendly Mall of the year and CityWeekend 2017 Outstanding Shopping Destination.

Rui Hong Xin Cheng • The Gallery received "2017 Quality Real Estate" in the 2017 China Property Ranking.

THE HUB won the 2017 China Shopping Centre and Retailer Awards Gold Prize by ICSC with the Lumières Shanghai Lights Festival.

INNOSPACE+ within the KIC won multiple awards in 2017, including the "Most Popular Startup Practice Base for University Students" and "Shanghai Startup Incubation Demonstration Site" awarded by Human Resources and Social Security Bureau of Shanghai Yangpu District.

Wuhan Tiandi received the following awards in 2017: Wuhan Tiandi • La Riva won the 2015-2016 Wuhan Guangsha Awards for Design & Planning as well as Flat Design; while Wuhan Tiandi Lot B13 won awards of Environment & Landscape as well as Complete Decoration.

Chongqing Tiandi was awarded 2017 Commercial & Business Landmark of the 2017 City Contribution Ranking jointly presented by People's Daily Online, Chinanews, Chongqing Times and Chongqing Municipal Federation of Trade Unions.

Splendid Bay and Greenview Heights of Dalian Tiandi won "2017 Residential Property with Highest Potential Award" by Sina Leju.

Foshan Lingnan Tiandi Commercial District won the 2017 China Cultural Tourism Commercial Real Estate Festival Golden Tripod Award presented by the China Cultural Tourism Commercial Real Estate Festival Committee.

CHAIRMAN'S STATEMENT

Driven by improved sales margin and positive contribution from various asset divestments, the Group achieved solid growth in many of its key financial aspects in 2017

The Group turned in a commendable performance in 2017, amidst a challenging property market environment in China. Despite the difficult conditions, we not only achieved an increase in profit, but also made further progress in the implementation of our Asset Light Strategy to transition the business forward, with a consequent strengthening of our balance sheet. Looking ahead, we remain highly cautious, and the Group's younger management team is working hard to capitalise on our solid foundation, while putting exciting new partnerships in place that will help us tap new growth opportunities in this challenging environment.

FINANCIAL HIGHLIGHTS

Driven by improved sales margin and positive contribution from various asset divestments, the Group achieved solid growth in many of its key financial aspects in 2017, including:

Total property sales, including but not limited to property sales recognised as turnover, disposal of investment properties and equity in subsidiaries, as well as turnover of associates, were RMB30,296 million, an increase of 38% compared to 2016. Property sales recognised as turnover increased by 4% to RMB16,169 million, while rental and related income increased by 14% to RMB1,961 million.

Gross profit increased by 33% to RMB7,858 million, with gross profit margin increasing by 9 percentage points to 43% due to improved margins in both property sales and rental income. Operating profit jumped by 36% to RMB7,190 million.

The Group attained its target of lowering the net gearing ratio to 51% as of 31 December 2017, representing a decrease of 17 percentage points from 68% as of 31 December 2016 and a significant decrease of 36 percentage points from the peak of 87% as of 30 June 2015. Cash and bank deposits was RMB16,760 million at the end of the year.

Profit attributable to shareholders was RMB1,669 million or HKD2,065 million, a 53% increase compared to RMB1,088 million or HKD1,346 million in 2016. Core earnings after taking into account the profit from disposal of investment properties and disposal of equity interests in commercial properties significantly increased by 75% to RMB3,147 million or HKD3,893 million (the HKD figures presented in this paragraph are based on the exchange rate of RMB1.000 to HKD1.237, exchange rate of 21 March 2018 issued by the PBOC).

A CHALLENGING MARKET

Whilst China's economy continued to perform well in 2017, the Government tightened measures to curb speculation in the residential property market and to rein in credit, both within and outside the banking system, creating strong headwinds for developers. This policy shift culminated in President Xi Jinping's statement at the 19th Party Congress in October 2017 that "Houses are built for living, not for speculation", indicating property-related policies will remain tight in the years to come.

A range of measures affecting the residential sector remain in place and include price controls, as well as restrictions on home purchases, mortgage underwriting and the granting of sales permits. Together, these policies have affected markedly the timing, volume and pricing of contracted sales, especially in top-tier cities such as Shanghai. Although the measures are a reaction to strong demand and aim to support the healthy long-term development of the market, in the shorter term, they have unavoidably dampened sales activity quite severely. For commercial properties, meanwhile, a high level of supply and the rapid growth of e-commerce are presenting immense challenges for the traditional retail sector.

GOOD SALES AND RENTAL PERFORMANCE

SALES

Despite the control measures outlined above, sales in Chongqing, Foshan and Dalian performed well during 2017. In Shanghai, the launch of the second batch of The Gallery at Rui Hong Xin Cheng ("RHXC") received an enthusiastic market response, with a 92% sell-through rate on the first day of launch. Sales in Shanghai were, however, inevitably affected by the onerous restrictions imposed, especially in the second half of the year. This made it impossible for us to secure presale permits for two important projects - the remaining unsold blocks at The Gallery at RHXC and Lakeville Luxe. Since prices in Shanghai are much higher than those in the secondary cities, this had a major effect on our sales. Despite this, we achieved our sales target for the year of RMB21 billion. Accumulated contracted property sales and other asset disposal amounted to RMB21,366 million in 2017, comprising residential property sales of RMB8,676 million, commercial property sales of RMB1,739 million and other asset disposal of RMB10,951 million.

In addition, as of 31 December 2017 the Group had recorded a total of RMB3,811 million of subscribed sales, of which subscribed other asset disposal was RMB3,160 million. These transactions are expected to be turned into contracted property sales and other asset disposal in 2018 and beyond.

RENTAL

Given the challenges the retail sector faces, the Group has been working hard to create more ambience for visitors to its retail properties and to improve its services, which we recognise are key to competing and maintaining our position in the market.

At Shanghai Xintiandi, over the last two years, we have been enhancing the "Tiandi Style" brand positioning through redeveloping some properties and refining the trade mix. To appeal to the sophisticated diners, wine aficionados and other "global citizens" who constitute the majority of Xintiandi's consumers, the North Block has introduced over 30 new catering businesses. Although these have mature business models or are already popular, we have in addition required each of them to add fresh elements that create a unique experience for consumers. The South Block has seen the old 88 boutique hotel redesigned as THE HOUSE, a creative space integrating design, art, cuisine and cultural experience that now houses a variety of creative businesses. The nearby HUBINDAO shopping centre has successfully positioned itself as the "health, sports and life" mall, earning numerous awards during the year. The rejuvenation of Xintiandi has led to record-breaking footfall, especially following the visit of the Politburo Standing Committee members to the neighbouring First Congress Hall, when President Xi referred to the complex.

These innovative and value-enhancing efforts have resulted in higher rental and related income (including income from hotel operations), which increased by 14% in 2017 to RMB1,961 million. A number of asset enhancement initiatives are underway at our investment property portfolio. Shui On Plaza, with a total retail space of 28,000 sq.m., is expected to re-open at the end of 2018 and should provide additional growth to the Group's rental income.

CONSISTENT PROGRESS ON THE ASSET LIGHT STRATEGY

The severity of the current market situation confirmed the benefit of our decisive, continuous implementation of the Asset Light Strategy. The first step of this strategy is the disposal of mature properties, which enables the Group to realise value from its portfolio and to deleverage. The second step is the formation of partnership arrangements. These pave the way for us to better leverage our core strengths in the future, namely our commercial brands and asset management expertise, while also allowing us to diversify funding sources and engage in projects with reduced capex exposure and less financial risk. The net result is that we can recycle capital faster and grasp new opportunities quickly, which positions us better to deliver higher returns to shareholders despite the challenging conditions.

During 2017, the Group completed asset disposals via several successful transactions, entered into two important new partnership arrangements and invested in a new office project in Shanghai.

The disposals included the sale of a 79.2% interest in a bundle of assets in Chongqing Tiandi to China Vanke for RMB4,133 million, which contributed RMB1,248 million in profit and brought in net proceeds of RMB3,913 million. We nonetheless retain an interest in the project, the brand name and asset management rights. Later in the year we signed an agreement to dispose of our entire interest in Dalian Tiandi for RMB3,160 million, generating net proceeds of RMB3,102 million. We have already begun to use some of the proceeds from our asset disposal to acquire new assets and form partnerships for new projects.

In January 2017, we formed the first of these partnerships with CITIC and this 50/50 venture has won a parcel of land in the Wuhan Optics Valley Central City in the city's East

Lake High-tech Development Zone. This plot of land, with a buildable GFA of approximately 1,279,000 sq.m., is ready for immediate development, which greatly shortens the development cycle and will expedite the return on investment. Construction has begun in early 2018 and the launch of pre-sales is targeted towards the end of this year.

Our newest partnership is with China Life. This strategic partnership, signed in December 2017, will see us pursue investment in property projects in China through the establishment of a platform capitalising on the Group's core strengths, with the Group acting as manager to explore new investment opportunities for both parties. Prior to entering into the partnership, China Life made two sizable investments in our portfolio, acquiring a 49% interest in our Shanghai Knowledge and Innovation Community ("KIC") for RMB2,949 million and a 49.5% effective interest in the commercial properties in RHXC for RMB3,869 million.

In December 2017, the Group acquired the Jianfa Junyi Building, two office blocks located close to KIC in Yangpu in Shanghai, for RMB1,144.3 million. Leveraging on the Group's experience and management expertise on office properties, the office project will enhance the KIC brand and generate synergies between the properties.

As well as examining suitable property investment opportunities, both in our own right and with our partners, we will cautiously seek to replenish our landbank to pave the way for further growth.

OUTLOOK

Despite the IMF recently upgrading its global growth forecast for 2018, the outlook remains challenging and macro uncertainty persists. Globally, major shifts in political alignments and in the direction of interest rates present a possible threat to asset markets. In China, property market conditions look set to remain tough, and the outlook will be shaped for many years to come by President Xi's statement on property at the 19th Party Congress, with an increased focus on rental properties and restrictions on residential sales likely to continue. The commercial sector will also continue to face pressure from the excess supply in some cities, as well as competition from booming e-commerce channels.

Given the headwinds we face, prudence is clearly advisable, and we will continue to take a cautious approach and pursue our Asset Light Strategy. During the year, we refinanced or retired USD1,896 million worth of high yield bonds issued during 2012 to 2014. As a result, financial expense is expected to drop substantially in 2018. With a strong balance sheet and an abundant cash balance, the Group is well-positioned for the current difficult market and to take advantage of future opportunities as and when they arise.

In these challenging conditions, it is vitally important to make sure we have the right people leading the Group forward, however. To this end, we have appointed two of our senior executives, Douglas Sung and Jessica Wang, as managing directors and we are reorganising around three core business divisions: finance and investment, development and commercial asset management. We are naming more of our talented younger colleagues to senior positions. This youthful management team has made encouraging progress so far and we will continue to enhance management to ensure efficient and consistent execution of our Asset Light Strategy to help us weather the current headwinds and strengthen our ability to respond to changes in the market.

APPRECIATION

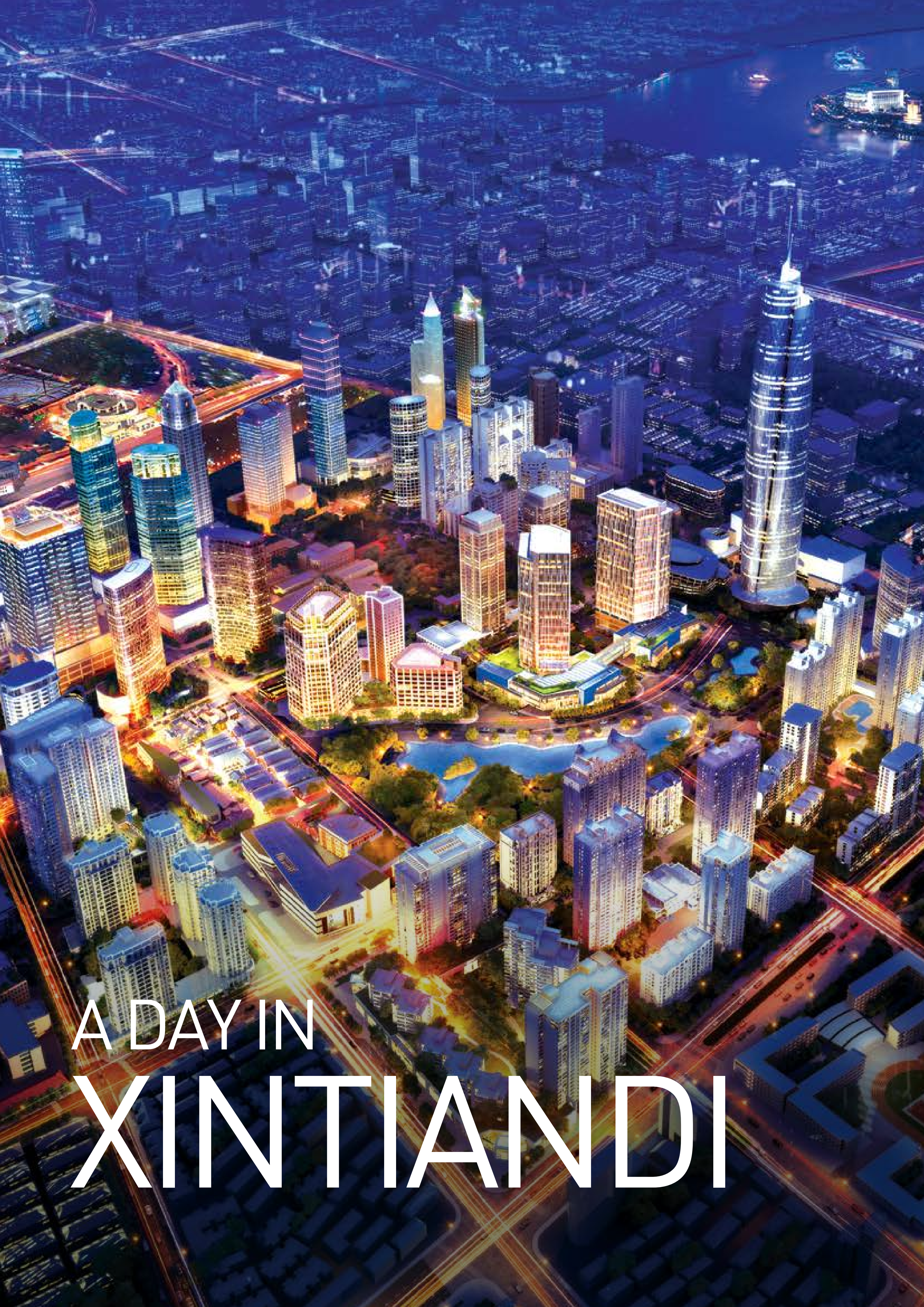
My heartfelt thanks go to the Board members for their counsel during this challenging year and to our management and employees for their hard work and dedication throughout 2017. I also wish to thank our business partners for their trust and support.

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

VINCENT H. S. LO

Chairman

Hong Kong, 21 March 2018



A DAY IN XINTIANDI

LIVE

High quality living space, green parks and sparkling lakes to nourish mind and body, club houses for keeping fit or simply relaxing – it's an ecosystem for today's diverse lifestyles in one of Shanghai's most convenient locations

WORK

The community provides premium working spaces and facilities at prime locations for today's business world, from small technology start-ups in shared spaces to multinationals with hundreds of staff

LEARN

Unparalleled support for start-ups, including incubator, co-working spaces, hardware innovator, Shui On Land has created the perfect ecosystem for the exchange of ideas and continuous collaboration

PLAY

A pioneering East meets West concept brings world-class cultural events, entertainment and lifestyle experiences to the community, making it one of the hottest tickets in town on any day of the week

Shui On Land, Tiandi Community Portfolio


Taipingqiao Project


The Knowledge and Innovation Community (KIC)


Foshan Lingnan Tiandi

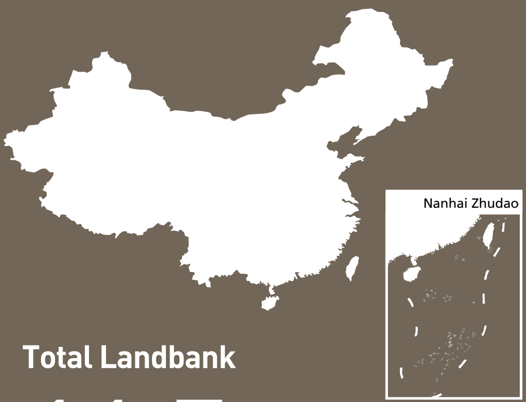

Chongqing Tiandi


Wuhan Tiandi


THE HUB


Rui Hong Xin Cheng


Optics Valley Innovation Tiandi



Total Landbank

11.5

million square metres

With 9

projects at varying development stages

Over

330,000

people foot traffic a day

Over

1,500

shops

Around

600

restaurants

MARKET UPDATES AND PROJECT PROFILES

The Group engages principally in large-scale mixed-use city-core development projects based on comprehensive master plans in five of China's most rapidly growing cities, with a lifestyle theme of focusing on "*live, work and play*". The projects are characterised by the redevelopment and transformation of existing neighbourhoods and communities into new city landmarks. As at 31 December 2017, the Group has a total GFA of 11.5 million square metres across nine projects at varying development stages.

SHANGHAI

An economic metropolis and one of the four municipalities of China, Shanghai is the country's leading commercial, financial, shipping and trading centre. For 2017, Shanghai has achieved a 6.9% year-on-year growth in GDP to RMB3,013 billion, translating into a GDP per capita of RMB124,606.

TAIPINGQIAO PROJECT

SITE LOCATION: The Taipingqiao project is in Huangpu District, within the inner ring of Shanghai. The project is in the proximity of The Bund – a renowned idyllic waterfront landmark – and close by the site of Shanghai's municipal government headquarters. Huangpu District is the main commercial centre of Puxi (along the west side of the Huangpu River) and is home to flagship stores of major retail luxury brands.

The Taipingqiao project, which began development in 1996, comprises retail, office, residential and cultural properties.

Shanghai Xintiandi, a historic restoration zone that has been successfully rejuvenated and reshaped into a lifestyle community, offers a wide section of terrace restaurants and retail options, which is today a must-go destination of Shanghai. As Shanghai's premier lifestyle destination, Shanghai Xintiandi continues to attract new tenants from across the world including celebrated patisseries such as Lady M. Shanghai Xintiandi has also enjoyed steady rental growth since its opening in 2001.

Xintiandi Style, located south of Shanghai Xintiandi, is a fashion shopping mall with a total gross floor area ("GFA") of 26,000 square metres ("sq.m.").

Shui On Plaza is an office tower with a retail portion located in the north of Shanghai Xintiandi. A 28,000 sq.m. asset enhancement initiative ("AEI") was commenced in the first half of 2017 ("1H 2017") for the retail portion, which is expected to be completed in the first half of 2018 ("1H 2018") and open in the second half of 2018 ("2H 2018").

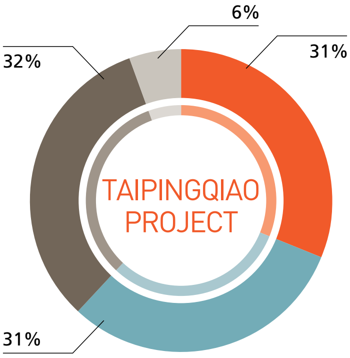
Lakeville, a premium residential project first launched in 2002, has sold and delivered to buyers Phases 1 to 4 with a total GFA of approximately 297,000 sq.m. as at 31 December 2017. The average selling price ("ASP") for high rises at this project has increased from approximately RMB20,000 per sq.m. to RMB136,400 per sq.m.. It is next to Xintiandi and a man-made lake. Lakeville Phase 5 (Lot 118) is expected to commence construction in early 2018, upon the completion of an ongoing historic architecture preservation project at the site.

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

The Club at Lakeville Luxe

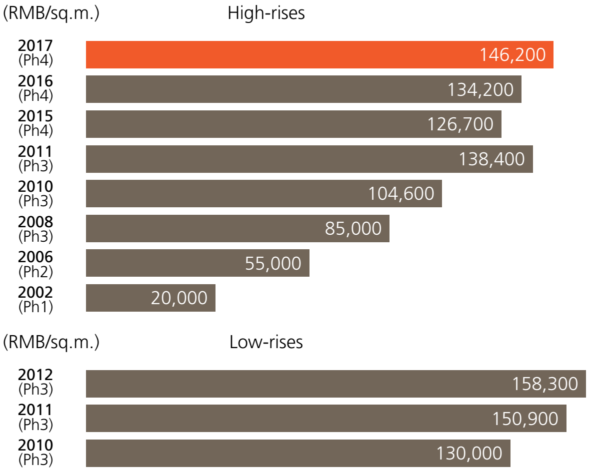
Shanghai Xintiandi provides spaces for social activities

GFA BY USAGE



	sq.m.
Residential	215,000
Office	210,000
Retail	222,000
Hotel/ Serviced Apartments	38,000
Total Leasable and Saleable GFA	685,000

RESIDENTIAL ASP



The following table shows the usage mix of Taipingqiao Project as at 31 December 2017 based on the Master-plan:

	Approximate/Estimated leasable and saleable area								
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %	Attributable GFA sq.m.
Completed properties									
Xintiandi	–	4,000	43,000	–	**47,000**	15,000	**62,000**	78.11%	48,000
THE HOUSE	–	–	7,000	–	**7,000**	–	**7,000**	78.11%	5,000
Lakeville and Lakeville Regency	–	–	–	–	**–**	23,000	**23,000**	99.00%	23,000
Casa Lakeville	–	–	–	–	**–**	5,000	**5,000**	99.00%	5,000
Xintiandi Style	–	–	26,000	–	**26,000**	8,000	**34,000**	77.33%	26,000
Lakeville Luxe (Lot 116)	49,000	–	–	–	**49,000**	33,000	**82,000**	98.00%	80,000
Shui On Plaza – Office	–	32,000	–	–	**32,000**	8,000	**40,000**	62.49%[1]	26,000
SUBTOTAL	**49,000**	**36,000**	**76,000**	**–**	**161,000**	**92,000**	**253,000**		**213,000**
Properties under development									
Shui On Plaza – Retail	–	–	28,000	–	**28,000**	–	**28,000**	62.49%	17,000
Lot 118	80,000	–	–	–	**80,000**	–	**80,000**	99.00%	79,000
SUBTOTAL	**80,000**	**–**	**28,000**	**–**	**108,000**	**–**	**108,000**		**96,000**
Properties for future development									
SUBTOTAL	**86,000**	**174,000**	**118,000**	**38,000**	**416,000**	**44,000**	**460,000**	**99.00%**	**456,000**
TOTAL	**215,000**	**210,000**	**222,000**	**38,000**	**685,000**	**136,000**	**821,000**		**765,000**

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

THE HUB

SITE LOCATION: THE HUB is ideally located at the heart of the Shanghai Hongqiao Central Business District (CBD) and is the only site that is directly connected to the Hongqiao Transportation Hub, thus facilitating convenient accesses to major transportation nodes such as the High-Speed Railway Station, Hongqiao International Airport Terminal 2, as well as three operating Metro lines. As described in the Shanghai's 13th Five Year Plan (2016 – 2020), Hongqiao CBD is poised to become a world-class business centre providing services for business, exhibition & conventions, and transportation for the Yangtze River Delta and beyond.

Construction of THE HUB commenced in 2011 and was completed in the second half of 2015. It is today a new business, cultural and lifestyle landmark, comprising a large retail component, offices and a performance and exhibition centre. THE HUB enjoys irreplaceable market positioning, via a unique and seamless blend of shopping, entertainment and F&B with the performing arts, as well as kids & family-friendly experiences.

Night view of THE HUB

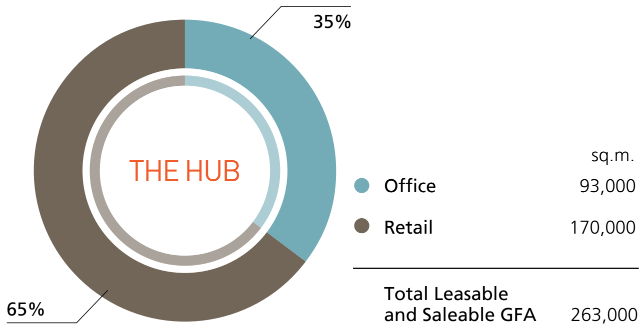
Four office towers with a total GFA of 93,000 sq.m. are near full occupancy as at 31 December 2017. Regional headquarters and branch offices of leading companies in various industries have been moving in since late 2014, including Fortune 500 companies such as Roche Diagnostics (Greater China Headquarters) and Shell (Downstream Business Headquarters).

The combined retail portfolio has a total GFA of 151,000 sq.m. including THE HUB shopping mall, Xintiandi sunken plaza, and the office retail space. The tenants started operation in the second half of 2015. The shopping mall with a total GFA of 125,000 sq.m, accommodates over 200 shops and offers a strong tenant mix with many brands making their first appearance in China and/or Shanghai. New anchor tenants, such as Nike's flagship store, UNIQLO and Yanjiyou Bookstore, saw excellent market response.

The performance and exhibition centre has a total GFA of 19,000 sq.m.. A lease agreement was signed in 1H 2017 with world-renowned Japanese comic IP (intellectual property) "ONE PIECE" to operate its first theme park and theme theater in China. Currently under renovation, it is expected to open around mid-2018.

THE HUB has earned multiple accolades, including the "MIPIM Best Mixed-Use Development Project Gold Awards" at the MIPIM Asia 2015, as well as the "ICSC 2016 Gold Award for Design & Development Excellence - New Developments" and "ICSC 2017 Gold Award for Marketing Excellence" from the International Council of Shopping Centres (ICSC).

GFA BY USAGE



The following table shows the usage mix of THE HUB as at 31 December 2017 based on the Master-plan:

	Approximate/ Estimated leasable and saleable area								
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %	Attributable GFA sq.m.
Completed properties									
D17	–	76,000	24,000	–	**100,000**	33,000	**133,000**	78.11%	104,000
D19	–	17,000	146,000	–	**163,000**	39,000	**202,000**	78.11%	158,000
TOTAL	**–**	**93,000**	**170,000**	**–**	**263,000**	**72,000**	**335,000**		**262,000**

THE HUB – new landmark of western Shanghai

Rendering of Rui Hong Xin Cheng • The Gallery

RUI HONG XIN CHENG

SITE LOCATION: The Rui Hong Xin Cheng project ("RHXC"), also known as Rainbow City, is located within the inner ring of Shanghai in Hongkou District (the "District"). The District, which has a long history and is currently undergoing urban renewal, enjoys excellent connectivity to the Lujiazui CBD and Pudong commercial district via four metro lines: Shanghai Metro Lines 4, 8, 10 and 12, as well as two tunnels: Xinjian Road Tunnel and Dalian Road Tunnel.

RHXC is being revitalised to become a fashionable urban living destination. When completed, RHXC will be an integrated community comprising office buildings, shopping centres, hotels, culture & entertainment space and residential properties.

For the residential segment, the Group has developed, sold and delivered a total GFA of approximately 711,000 sq.m., which were completed in seven phases since 1998. The ASP of contracted sales of the residential units has increased progressively from RMB16,600 per sq.m. in 2007 to RMB103,000 per sq.m. in 2017. Lot 1 with a total GFA of 110,000 sq.m., has completed relocation activities in 2017 and will be developed into high-end residential apartments. Lot 7, which has a total GFA of 159,000 sq.m., is under relocation with 98% of relocation agreements signed as at 31 December 2017.

In 2017, RHXC residential Phase 7, The Gallery (Lot 2), was awarded the "Best Interior Design Apartment China" award by the Asia Pacific Property Awards as well as the "Gold Award for Residential Property" by the Shanghai Real Estate Association.

For the commercial segment, the Group has completed a total GFA of approximately 148,000 sq.m., among which The Palette 1,2 & 5 with a total GFA of 18,000 sq.m., a hotel at Lot 3 with a total GFA of 16,000 sq.m. and the ancillary retail in The Upper (Lot 9) with a total GFA of 2,000 sq.m. have been sold and delivered to buyers as at 31 December 2017.

Hall of the Moon (Ruihong Tiandi Lot 3) celebrated its grand opening in June 2017 with occupancy rates reaching 91% as at 31 December 2017. With its concept of "Life, Music, Home", Hall of the Moon has attracted many creative and influential new-concept brands.

Hall of the Stars (Ruihong Tiandi Lot 6) with a total leasable GFA of 19,000 sq.m. commenced operations in 2015. In 2017, the Group adjusted the tenant mix and introduced more family brands into the tenant mix to provide better experiential shopping for kids and family. The occupancy rate was 95% as at 31 December 2017.

SHANGHAI – RUI HONG XIN CHENG

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

On 19 December 2017, China Life acquired 21.4% equity interest in Shanghai Rui Hong Xin Cheng Co., Ltd, representing a 49.5% equity interest in the commercial portfolio including developed investment properties, Hall of the Moon (Lot 3), Hall of the Stars (Lot 6) and The Palette 3 (Phase II Shopping Centre), and land parcels under development, namely Hall of the Sun (Lot 10), at Shanghai RHXC ("RHXC Commercial Partnership Portfolio"). The transaction was completed on 27 December 2017. The Group held a 49.5% interest in the RHXC Commercial Partnership Portfolio, with China Life holding 49.5% and Shanghai Hong Fang (Group) Company Limited ("Hong Fang") holding 1% as at 31 December 2017. As a result, the RHXC Commercial Partnership Portfolio is no longer consolidated by the Group.

On 9 August 2017, Sheng Pu, an indirect wholly-owned subsidiary of the Group, Guotai Junan (as the manager of the Trust) and Hong Fang agreed to establish a joint venture company ("JV Company") held as to 49% by Sheng Pu, 31% by Guotai Junan and 20% by Hong Fang respectively, for the acquisition of Lot 167 from the Group. The project to be built on Lot 167 in Shanghai Hongkou District ("Lot 167") has a developable leasable and saleable GFA of approximately 230,000 sq.m.. Relocation work has started in August 2017 and 95% of relocation agreements signed as at 31 December 2017.

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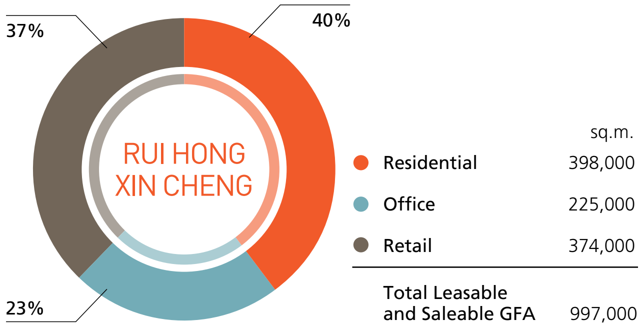
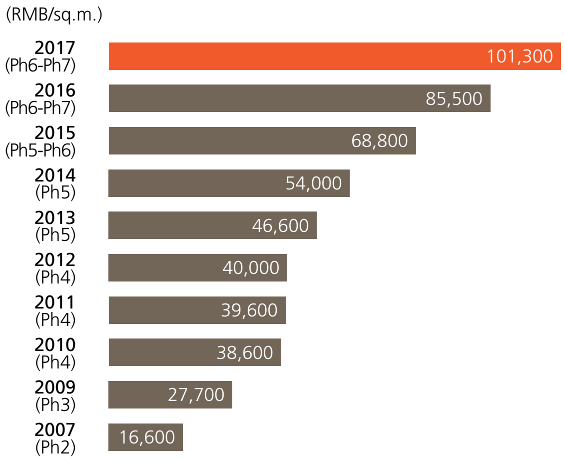


RESIDENTIAL ASP



The following table shows the usage mix of Rui Hong Xin Cheng as at 31 December 2017 based on the Master-plan:

	Approximate/ Estimated leasable and saleable area								
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %	Attributable GFA sq.m.
Completed properties									
The Palette 1	–	–	–	–	**–**	9,000	**9,000**	100.00%	9,000
RHXC Phase 2	–	–	–	–	**–**	5,000	**5,000**	99.00%	5,000
The Palette 3	–	–	28,000	–	**28,000**	4,000	**32,000**	49.50%	16,000
The Palette 5	–	–	–	–	**–**	3,000	**3,000**	99.00%	3,000
Ming Ting	–	–	–	–	**–**	15,000	**15,000**	99.00%	15,000
Hall of the Stars (Ruihong Tiandi Lot 6)	–	–	19,000	–	**19,000**	7,000	**26,000**	49.50%	13,000
The View (Lot 6)	–	–	–	–	**–**	9,000	**9,000**	99.00%	9,000
Hall of the Moon (Ruihong Tiandi Lot 3)	–	–	64,000	–	**64,000**	22,000	**86,000**	49.50%	43,000
The Upper (Lot 9)	–	–	–	–	**–**	8,000	**8,000**	99.00%	8,000
The Gallery (Lot 2)	48,000	–	1,000	–	**49,000**	43,000	**92,000**	99.00%	91,000
SUBTOTAL	**48,000**	**–**	**112,000**	**–**	**160,000**	**125,000**	**285,000**		**212,000**
Properties under development									
Lot 10	–	156,000	182,000	–	**338,000**	105,000	**443,000**	49.50%	219,000
Lot 1	109,000	–	1,000	–	**110,000**	7,000	**117,000**	99.00%	116,000
Lot 7	158,000	–	1,000	–	**159,000**	4,000	**163,000**	99.00%	161,000
SUBTOTAL	**267,000**	**156,000**	**184,000**	**–**	**607,000**	**116,000**	**723,000**		**496,000**
Properties for future development									
SUBTOTAL	**83,000**	**69,000**	**78,000**	**–**	**230,000**	**2,000**	**232,000**	**49.00%**	**114,000**
TOTAL	**398,000**	**225,000**	**374,000**	**–**	**997,000**	**243,000**	**1,240,000**		**822,000**

KNOWLEDGE AND INNOVATION COMMUNITY

SITE LOCATION: The Knowledge and Innovation Community ("KIC") project is strategically located in the immediate vicinity of major universities and colleges in Wujiaochang, within the heart of Yangpu District – a key knowledge industry and support services hub of Shanghai – which sits northeast of downtown Shanghai. The public transportation network provides commuters with multiple connections between the project and the city centre, including the Middle-Ring Highway, over 30 public transportation routes and Shanghai Metro Line 10.

KIC is an international knowledge community that aims to integrate work, live, learning and play. KIC has been regarded as a landmark of innovation and entrepreneurship in Shanghai. After 14 years of development, KIC has emerged as a cradle for entrepreneurs, and a mature knowledge community which combines the spirit of entrepreneurship and vibrant cultural communications. Over 500 start-ups incubators are in KIC, playing pioneering roles in multiple industries including Technology, Media, Telecom ("TMT"), design, education, services etc. Nearby universities, industry giants (MNC tenants), and growing start-ups have come together to form a mutually beneficial eco-system.

A total leasable GFA of 249,000 sq.m. has been progressively developed into office, retail properties and hotel as at the end of 2017. The occupancy rate at KIC remains high, with established technology, service and design companies, including EMC[2], Oracle, EBAO, VMware, Splunk, Deloitte and AECOM as tenants.

University Avenue is a vibrant part of KIC. The road mainly offers a wide selection of gourmet cuisines, coffee shops, book stores, galleries and creative retail stores.

In December 2017, University Avenue • Next Stop, an underground commercial zone connecting University Avenue and the KIC Plaza area, commenced operations, offering a wide range of food & beverage options, a lifestyle integrated book store, as well as various pop-up stalls throughout the year. It also has direct access to the Jiangwan Stadium metro station.

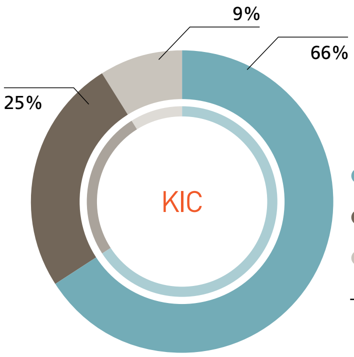
INNOSPACE+ is a complete ecosystem for entrepreneurs and early-stage startups. It comprises an entrepreneurs' café, an incubator, accelerator, co-working space, hardware incubator, an investment fund, entrepreneurs' apartment and a boutique hotel.

University Avenue • Next Stop commenced business in 2017

A total GFA of 132,000 sq.m. in residential developments has been sold and delivered for this project. ASP has increased from RMB18,700 per sq.m. in 2007 to RMB38,600 per sq.m. for the last batch in 2013.

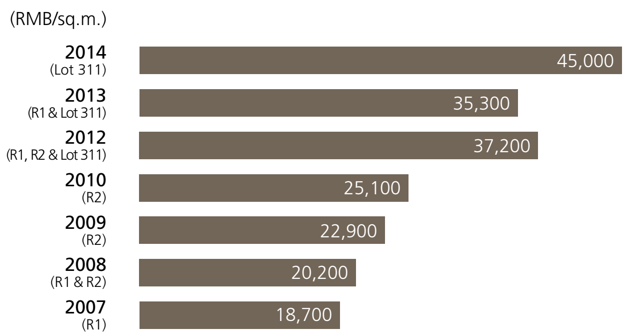
On 30 September 2017, the Group sold its 49% equity interest in the KIC project to China Life for a total consideration of RMB2,949 million. The transaction was completed on 11 December 2017. After completion, the Group held a 51% of the equity interest in two subsidiaries which partially owned the KIC project as at 31 December 2017. Accordingly, the Group effectively owned a 50.49% equity interest in 5-7 KIC Corporate Avenue, 1-3 KIC Corporate Avenue retail and Lot 311 Hotel, as well as a 44.27% equity interest in the remaining KIC project portfolios namely KIC Village R1 & R2, 1-3 and 5-12 KIC Plaza and KIC Village 12-8. This transaction is aligned to the Group's Asset Light strategy. Going forward, the Group will continue to benefit from the future potential of the project as the KIC brand grows, and will also earn recurring asset management fees.

GFA BY USAGE



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

RESIDENTIAL ASP



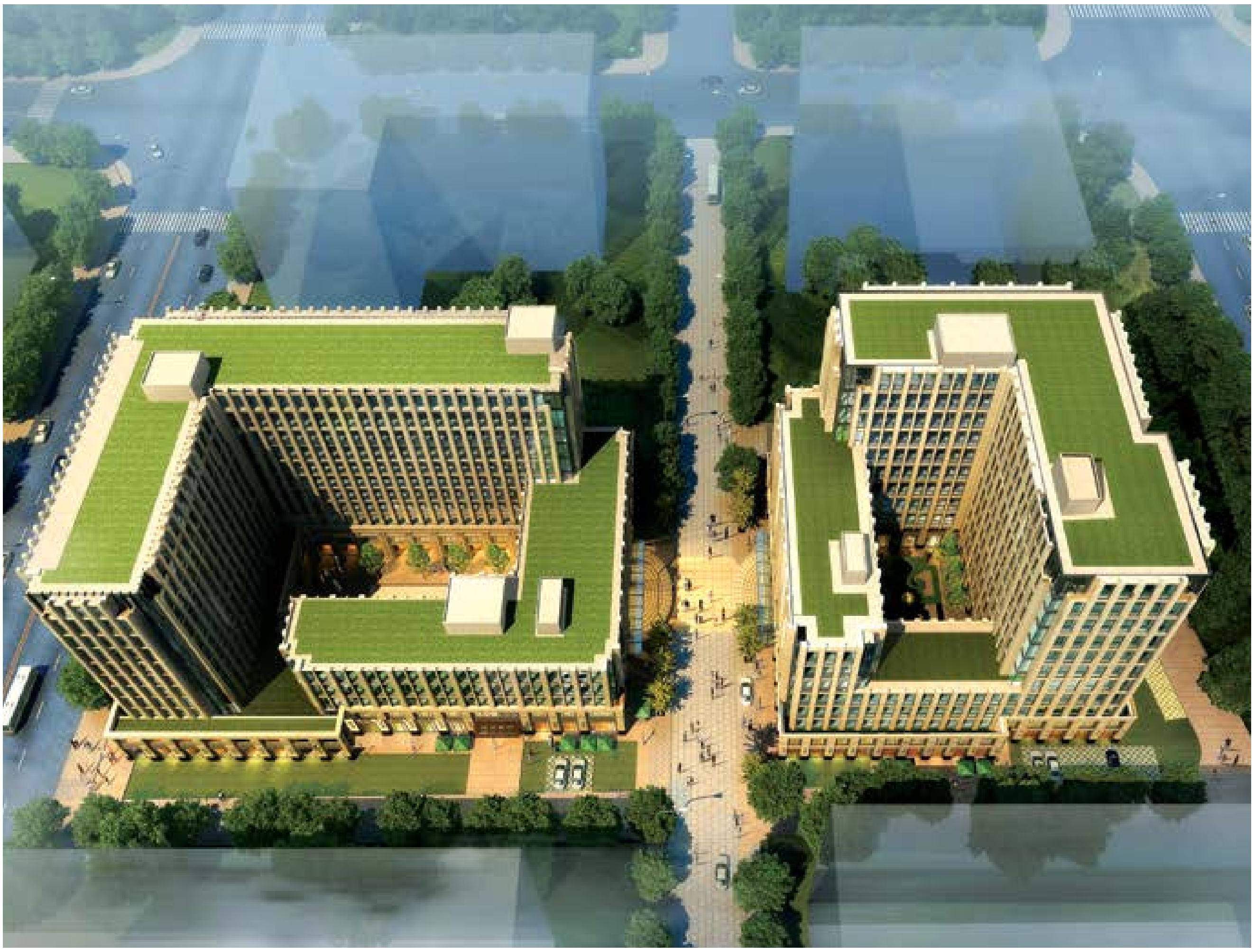
The following table shows the usage mix of KIC as at 31 December 2017 based on the Master-plan:

	Approximate/ Estimated leasable and saleable area								
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %	Attributable GFA sq.m.
Completed properties									
KIC Village R1	–	–	7,000	–	**7,000**	11,000	**18,000**	44.27%	8,000
1-3, 10 KIC Plaza (Phase 1)	–	29,000	21,000	–	**50,000**	25,000	**75,000**	44.27%	33,000
KIC Village R2 (Lot7-9/8-2)	–	5,000	3,000	–	**8,000**	7,000	**15,000**	44.27%	7,000
KIC Village R2 (Lot 7-7)	–	6,000	1,000	–	**7,000**	16,000	**23,000**	44.27%	10,000
5-9 KIC Plaza (Phase 2)	–	39,000	10,000	–	**49,000**	30,000	**79,000**	44.27%	35,000
11-12 KIC Plaza (C2)	–	27,000	11,000	–	**38,000**	12,000	**50,000**	44.27%	22,000
Jiangwan Regency	–	–	–	–	**–**	9,000	**9,000**	50.49%	5,000
1-3 KIC Corporate Avenue	–	–	2,000	–	**2,000**	8,000	**10,000**	50.49%	5,000
5-7 KIC Corporate Avenue	–	53,000	8,000	–	**61,000**	28,000	**89,000**	50.49%	45,000
Lot 311 Hotel	–	–	–	22,000	**22,000**	–	**22,000**	50.49%	11,000
KIC Village 12-8	–	5,000	–	–	**5,000**	2,000	**7,000**	44.27%	3,000
TOTAL	**–**	**164,000**	**63,000**	**22,000**	**249,000**	**148,000**	**397,000**		**184,000**

XIN WAN JING

On 20 December 2017, the Group acquired the entire equity interest and the shareholder's loans to Shanghai Xin Wan Jing Property Limited, at a consideration of approximately RMB1,144.3 million. This acquisition comprises two bare-shell office buildings known as Jianfa Junyi Building and is situated at New Jiangwan City, Yangpu District.

Jianfa Junyi Building has a total leasable GFA of 45,000 sq.m.. Among the total leasable GFA, 91% is office and 9% is retail. It is expected that tenants will begin to move in late 2018 after interior retrofit is completed.



Rendering of the newly acquired office project in Shanghai Yangpu Disctrict

WUHAN

Situated at the junction of the Yangtze and Han rivers, Wuhan is the capital city of Hubei Province. It is central China's largest city and a nucleus of manufacturing, commerce, and transportation. Rail travel time between Wuhan and major provincial capitals in central China takes only two hours, while mega cities such as Beijing, Shanghai, Guangzhou, Chongqing and Chengdu are a mere five hours away. In 2017, its total GDP stood at RMB1,341 billion with a year-on year growth rate of 8.0%, and GDP per capita at RMB124,500.

WUHAN TIANDI

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

Wuhan Tiandi is a large-scale, mixed-use redevelopment comprising two major sites. Site A includes office towers, retail, food and beverage, and entertainment facilities, together with some residential blocks. Site B comprises mainly residential and office buildings, supported by an ancillary retail centre.

Wuhan Tiandi at Lots A4-1/2/3 started operation in 2007 and has since become a well-recognised landmark of Wuhan, benefiting from a careful balance of preserving local historical architecture while injecting new commercial value.

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

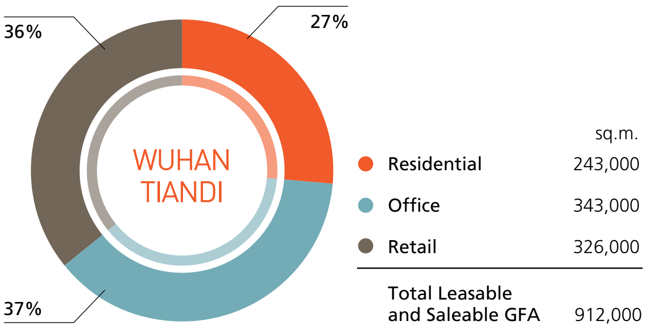
HORIZON (a shopping mall at Lots A1/A2/A3) with a total GFA of 114,000 sq.m. commenced operation in September 2016. Major tenants include Cinema PALACE, King of Party, Skyland Food Court, Zoolung, ANIMATION PLANET with an occupancy rate of 89% as at 31 December 2017.

Four office towers at Lots A1/A2/A3/A5, have been sold to buyers from 2011. Office buildings at Lots A2, A3 and A5 for a total GFA of 156,000 sq.m. have been delivered to buyers. The remaining office building at Lot A1 is to be completed and delivered in 2020.

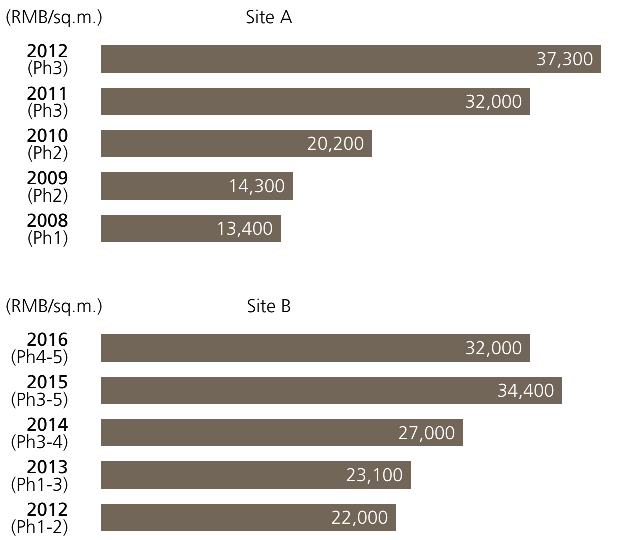
A total GFA of 72,000 sq.m. for commercial usage at Lot B4/5 was completed in 2017.

Residential developments in Wuhan Tiandi have been well received by the market. In Site B, Wuhan Tiandi Lots B5, B9, B11, B13 & B14, comprising a total GFA of 305,000 sq.m., were sold and delivered to buyers following its completion from 2012 to 2017. Site A residential units with a total GFA of 204,000 sq.m. were sold and delivered from 2007 to 2011.

GFA BY USAGE



RESIDENTIAL ASP



The following table shows the usage mix of Wuhan Tiandi as at 31 December 2017 based on the Master-plan:

	Approximate/ Estimated leasable and saleable area								
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %	Attributable GFA sq.m.
Completed properties									
Wuhan Tiandi (Lots A4-1/2/3)	–	–	46,000	–	**46,000**	25,000	**71,000**	78.11%	55,000
HORIZON (Lots A1/A2/A3 mall)	–	–	114,000	–	**114,000**	117,000	**231,000**	100.00%	231,000
Wuhan Tiandi Park Place (Lot B4/5 Retail)	–	–	72,000	–	**72,000**	77,000	**149,000**	100.00%	149,000
SUBTOTAL	**–**	**–**	**232,000**	**–**	**232,000**	**219,000**	**451,000**		**435,000**
Properties under development									
Lot A1 Office Tower	–	177,000	–	–	**177,000**	16,000	**193,000**	100.00%	193,000
Lot B10	108,000	–	–	–	**108,000**	–	**108,000**	100.00%	108,000
SUBTOTAL	**108,000**	**177,000**	**–**	**–**	**285,000**	**16,000**	**301,000**		**301,000**
Properties for future development									
SUBTOTAL	**135,000**	**166,000**	**94,000**	**–**	**395,000**	**–**	**395,000**	**100.00%**	**395,000**
TOTAL	**243,000**	**343,000**	**326,000**	**–**	**912,000**	**235,000**	**1,147,000**		**1,131,000**

Rendering of Wuhan Optics Valley Innovation Tiandi

OPTICS VALLEY INNOVATION TIANDI

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

The aforesaid land plot is in the central area of Optics Valley Central City which is the administrative services centre and business centre of Optics Valley. Optics Valley is located in Wuhan East Lake High-tech Development Zone and is ranked the third among the 114 high-tech zones in China in 2016, and is one of the National Innovation Demonstration and Free Trade Zones in China. Optics Valley Central City serves as the engine of the national innovation city and is positioned to be a world-class innovation centre.

Construction work of the first phase is expected to commence in early 2018.

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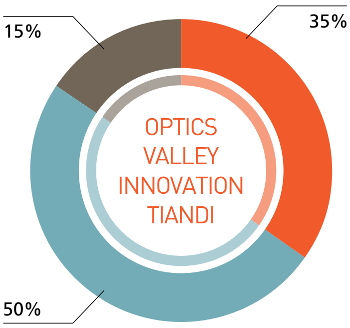

	sq.m.
Residential	444,000
Office	637,000
Retail	196,000
Total Leasable and Saleable GFA	1,277,000

The following table shows the usage mix of Optics Valley Innovation Tiandi as at 31 December 2017 based on the Master-plan:

	Approximate/ Estimated leasable and saleable area								
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Sub total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group interest %	Attributable GFA sq.m.
Properties for future development									
TOTAL	**444,000**	**637,000**	**196,000**	**–**	**1,277,000**	**2,000**	**1,279,000**	**50.00%**	**640,000**

CHONGQING

Chongqing is strategically located at the headwaters of the Yangtze River. It is the only municipality in western China and is emerging as the regional economic hub of western China. Given its inland location and relatively low urbanization rate, Chongqing is advantageously positioned to benefit from the Chinese leadership's focus on re-balancing and urbanization strategies. Chongqing was also selected as the site of the third China-Singapore government-to-government project. This strategic development marks an important milestone for the "One Belt and One Road" initiative aimed at reviving the ancient trade routes spanning Asia, Africa and Europe. In 2017, Chongqing's total GDP was RMB1,950 billion with a year-on year growth rate of 9.3%, and GDP per capita at RMB63,969.

CHONGQING TIANDI

SITE LOCATION: The Chongqing Tiandi is an urban renewal project located in Yuzhong District, the International Business District of Chongqing.

The landmark retail zone in Chongqing Tiandi, Lot B3/01, with a total GFA of 49,000 sq.m. started operation in the year 2010.

The residential phases "Riviera I to VII & Lake Ville Phase 1 to 2" have been completed and progressively delivered to customers since 2008, comprising a total GFA of 997,000 sq.m.. The ASP[1] of the residential units, based on contracted sales prices, has increased from RMB6,800 per sq.m. in 2009 to RMB22,300 per sq.m. in 2017.

On 26 May 2017, the Group sold a 79.2% interest in the portfolio of 11 parcels at the Chongqing Tiandi ("Chongqing Partnership Portfolio") for a total consideration of RMB4,133 million. The transaction was completed on 29 June 2017. The Chongqing Partnership Portfolio represented a bundle of undeveloped land parcels and an office building with its ancillary retail space which was construction in progress. This transaction allows the group to unlock value in the Chongqing project at a substantial profit, which was also in line with the Group's Asset Light Strategy, aimed at enhancing shareholders' return by cooperating with partners who can create synergies.

Chongqing Tiandi incorporates traditional culture in its development

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

CHONGQING – CHONGQING TIANDI

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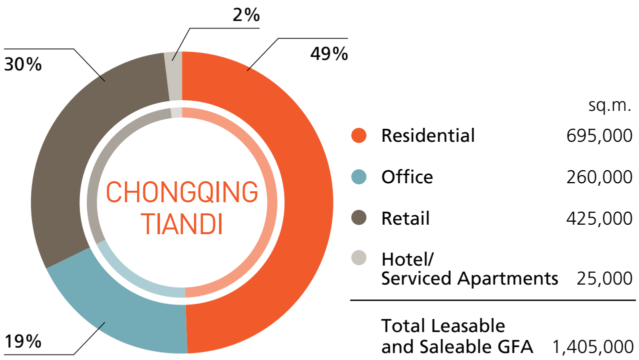
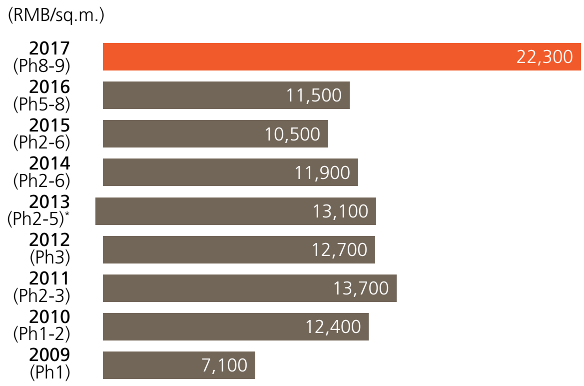


RESIDENTIAL ASP



* Residential Ph2-5 & Retail

The following table shows the usage mix of Chongqing Tiandi as of 31 December 2017 based on the Master-plan:

	Approximate/ Estimated leasable and saleable area								
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %	Attributable GFA sq.m.
Completed properties									
The Riviera I (Lot B1-1/01)	–	–	1,000	–	**1,000**	9,000	**10,000**	99.00%	10,000
Chongqing Tiandi (Lot B3/01)	–	–	49,000	–	**49,000**	25,000	**74,000**	99.00%	73,000
The Riviera II (Lot B2-1/01)	–	–	3,000	–	**3,000**	23,000	**26,000**	99.00%	26,000
The Riviera III (Lot B19/01)	–	–	2,000	–	**2,000**	14,000	**16,000**	99.00%	16,000
2 Corporate Avenue (Lot B11-1/02 Phase 1)	–	–	11,000	–	**11,000**	16,000	**27,000**	99.00%	27,000
6, 7 Corporate Avenue (Lot B12-3/02)	–	–	37,000	–	**37,000**	13,000	**50,000**	99.00%	50,000
8 Corporate Avenue (Lot B12-4/02)	–	–	31,000	–	**31,000**	12,000	**43,000**	99.00%	43,000
The Riviera IV (Lot B20-5/01)	–	–	–	–	**–**	7,000	**7,000**	99.00%	7,000
The Riviera V (Lot B18/02)	–	–	–	–	**–**	22,000	**22,000**	99.00%	22,000
The Riviera VI (Lot B16/03)	–	–	4,000	–	**4,000**	53,000	**57,000**	99.00%	56,000
Lake Ville Phase 1 (Lot B9)	–	1,000	2,000	–	**3,000**	16,000	**19,000**	99.00%	19,000
Lake Ville Phase 2 (Lot B6)	1,000	–	9,000	–	**10,000**	59,000	**69,000**	99.00%	68,000
SUBTOTAL	**1,000**	**1,000**	**149,000**	**–**	**151,000**	**269,000**	**420,000**		**417,000**
Properties under development									
Lot B15	206,000	–	5,000	–	**211,000**	72,000	**283,000**	19.80%	56,000
1, 10 Corporate Avenue (Lot B11-1/02 Phases 2&3)	–	259,000	104,000	25,000	**388,000**	113,000	**501,000**	19.80%	99,000
Lot B5/03	123,000	–	–	–	**123,000**	–	**123,000**	19.80%	24,000
Lot B10/03	52,000	–	–	–	**52,000**	–	**52,000**	19.80%	10,000
SUBTOTAL	**381,000**	**259,000**	**109,000**	**25,000**	**774,000**	**185,000**	**959,000**		**189,000**
Properties for future development									
SUBTOTAL	**313,000**	**–**	**167,000**	**–**	**480,000**	**35,000**	**515,000**	**19.80%**	**102,000**
TOTAL	**695,000**	**260,000**	**425,000**	**25,000**	**1,405,000**	**489,000**	**1,894,000**		**708,000**

FOSHAN

Situated at the heart of the Pearl River Delta and only 28 km to the southwest of the Guangzhou city centre, Foshan is one of the most vigorous cities of China, supported by its economic dynamism along with a rich historical and cultural heritage. In 2017, Foshan's GDP growth reached 8.5% with a total GDP of RMB955 billion. Foshan's GDP per capita was RMB126,332.

FOSHAN LINGNAN TIANDI

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

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

Since 2011, the Group has developed and delivered to buyers residential units with a total GFA of approximately 501,000 sq.m. as at 31 December 2017. Lots 2 & 3 with a total GFA of 67,000 sq.m. for residential usage is expected to be launched in phases in 2018.

The rental income of Lingnan Tiandi has seen stable increase since the opening of Phase 1 and Phase 2. NOVA (Lot E Retail) with a GFA of 73,000 sq.m. for retail use, is a shopping mall positioned as "Young and Trendy". The occupancy rate has improved to 97% as at 31 December 2017, an increase of 13 percentage points compared to 84% as at 31 December 2016.

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

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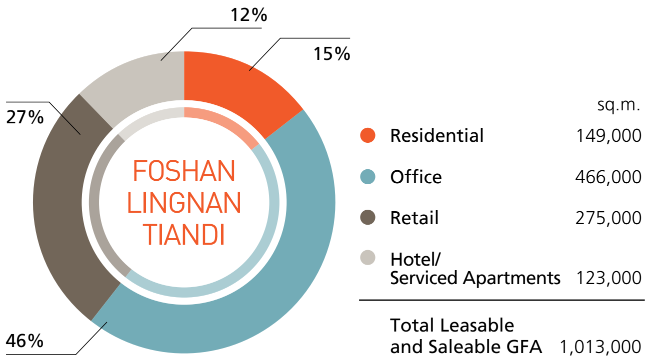
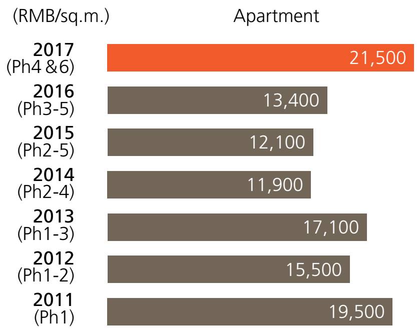
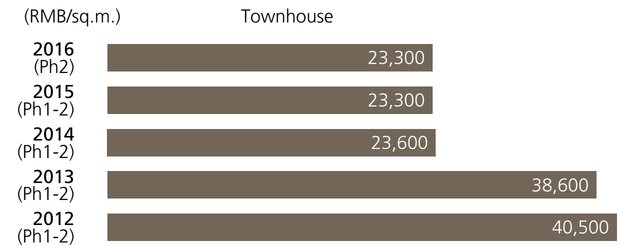


RESIDENTIAL ASP





FOSHAN – FOSHAN LINGNAN TIANDI

The following tables show the usage mix of Foshan Lingnan Tiandi as at 31 December 2017 based on the Master-plan:

	Approximate/ Estimated leasable and saleable area								
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other factilities sq.m.	Total GFA sq.m.	Group's interest %	Attributable GFA sq.m.
Completed properties									
The Regency Phase 1 (Lot 4)	–	–	–	–	**–**	7,000	**7,000**	100.00%	7,000
The Legendary Phase 1 (Lot 14)	–	–	–	–	**–**	3,000	**3,000**	100.00%	3,000
Lingnan Tiandi Phase 1 (Lot 1 Ph1)	–	–	15,000	–	**15,000**	2,000	**17,000**	100.00%	17,000
Marco Polo Lingnan Tiandi Foshan Hotel	–	–	15,000	43,000	**58,000**	19,000	**77,000**	100.00%	77,000
The Regency Phase 2 (Lot 5)	–	–	–	–	**–**	9,000	**9,000**	100.00%	9,000
The Legendary Phase 2 (Lot 15)	–	–	–	–	**–**	3,000	**3,000**	100.00%	3,000
Lingnan Tiandi Phase 2 (Lot 1 Ph2)	–	–	34,000	–	**34,000**	2,000	**36,000**	100.00%	36,000
Lingnan Tiandi • Park Royale (Lot 6)	–	–	2,000	–	**2,000**	22,000	**24,000**	100.00%	24,000
Lingnan Tiandi • The Imperial (Lot 16)	4,000	–	–	–	**4,000**	5,000	**9,000**	100.00%	9,000
Lingnan Tiandi • The Metropolis (Lot 18)	–	–	15,000	–	**15,000**	35,000	**50,000**	100.00%	50,000
Lot E	–	16,000	73,000	–	**89,000**	31,000	**120,000**	100.00%	120,000
SUBTOTAL	**4,000**	**16,000**	**154,000**	**43,000**	**217,000**	**138,000**	**355,000**		**355,000**
Properties under development									
Lots 2&3	67,000	–	7,000	–	**74,000**	23,000	**97,000**	100.00%	97,000
Lot G	–	–	2,000	–	**2,000**	–	**2,000**	100.00%	2,000
Lingnan Tiandi Phase 3 (Lot 1 ph3)	–	–	5,000	–	**5,000**	–	**5,000**	100.00%	5,000
SUBTOTAL	**67,000**	**–**	**14,000**	**–**	**81,000**	**23,000**	**104,000**		**104,000**
Properties for future development									
SUBTOTAL	**78,000**	**450,000**	**107,000**	**80,000**	**715,000**	**–**	**715,000**	**100.00%**	**715,000**
TOTAL	**149,000**	**466,000**	**275,000**	**123,000**	**1,013,000**	**161,000**	**1,174,000**		**1,174,000**

Foshan Lingnan Tiandi blends traditional culture with modern life

DALIAN

Dalian is a port city in Liaoning Province and the major gateway for China's northeast region. Endowed with an advantageous coastal location and world class infrastructure, Dalian is an important economic hub of northeast China. In 2017, Dalian's GDP reached RMB736 billion, an increase of 7.1% from a year ago. Dalian's total exports reached USD470 billion in 2017, accounting for 57.2% of Liaoning Province's total exports.

DALIAN TIANDI

SITE LOCATION: Dalian Tiandi is an integrated mixed-use development set in the scenic city of Dalian in China's northeast Liaoning Province. Situated at the midpoint of South Lvshun Road Software Industry Belt, Dalian Tiandi extends across a 12.5 kilometres range.

The ASP of residential units picked up in 2017, reaching RMB14,400 per sq.m. for Lot B10 at Hekou Bay (Site A of Dalian Tiandi) and RMB10,200 per sq.m. for Lot E02b at Huangnichuan (Site C of Dalian Tiandi). As at end 2017, the Group has sold and delivered a total GFA of 359,000 sq.m. residential units to buyers.

Show flat of Dalian Tiandi Splendid Bay • The Upper

On 14 November 2017, the Group entered into an agreement in relation to the disposal of 61.54% interest in Richcoast Group Limited ("Richcoast"), the offshore loans and onshore debts in Dalian project, which represented the entire interest of the Group in the Dalian project, for a total consideration of RMB3,160 million. Prior to the transaction date, Richcoast partially owned Dalian Tiandi indirectly through subsidiaries; as a result, the Group had a 48% effective interest in Dalian Tiandi, except for Lots C01, C03, B08, B09 and E02a in which the Group had a 44.72% effective interest. As the transaction is yet to be completed, it was counted in the Group's landbank as at 31 December 2017.

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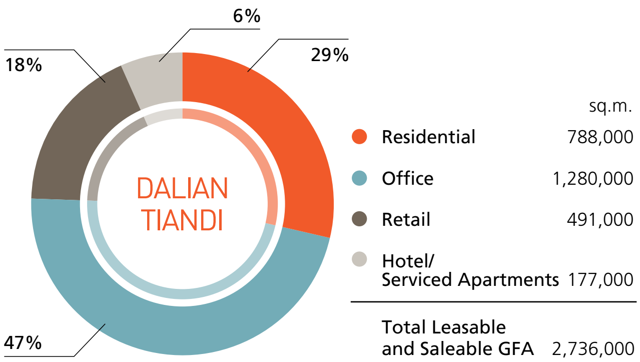
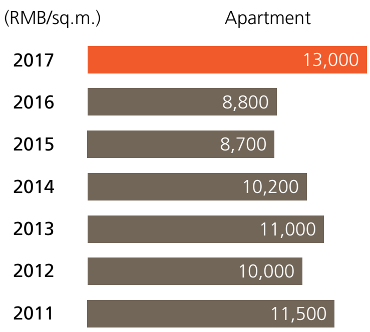
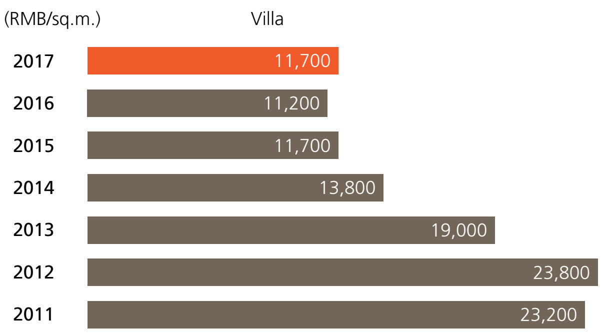


RESIDENTIAL ASP





Overview of Dalian Tiandi

The following table shows the usage mix of Dalian Tiandi as at 31 December 2017 based on the Master-plan:

	Approximate/ Estimated leasable and saleable area								
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	Sub-total GFA sq.m.	Clubhouse, carpark and other facilities sq.m.	Total GFA sq.m.	Group's interest %	Attributable GFA sq.m.
Completed properties									
Huangnichuan North									
Lot D22 (Aspen and Maple Towers)	–	42,000	–	–	**42,000**	15,000	**57,000**	48.00%	27,000
Lot B02 (Ambow Training School)	–	113,000	–	–	**113,000**	4,000	**117,000**	48.00%	56,000
Lot D14 (Acacia and Lynwood Towers)	–	52,000	–	–	**52,000**	10,000	**62,000**	48.00%	30,000
Lot E06 (Villa)	2,000	–	–	–	**2,000**	–	**2,000**	48.00%	1,000
Lot E06 (Mid-/high-rises)	–	–	–	–	**–**	31,000	**31,000**	48.00%	15,000
Lot E29	–	–	–	–	**–**	11,000	**11,000**	48.00%	5,000
Lot C10 (Engineer Apartment)	37,000	–	–	–	**37,000**	9,000	**46,000**	48.00%	22,000
Lot D10 (IT Tiandi)	–	–	41,000	–	**41,000**	–	**41,000**	48.00%	20,000
Lot C14	–	–	–	–	**–**	24,000	**24,000**	48.00%	12,000
Lot E02a	1,000	–	–	–	**1,000**	25,000	**26,000**	44.72%	12,000
Hekou Bay									
Lot B09	–	–	–	–	**–**	16,000	**16,000**	44.72%	7,000
Lot B13	–	–	–	–	**–**	19,000	**19,000**	48.00%	9,000
Lot C01	–	–	–	–	**–**	6,000	**6,000**	44.72%	3,000
Lot B08	–	–	13,000	–	**13,000**	5,000	**18,000**	44.72%	8,000
Lot C03	–	–	–	5,000	**5,000**	15,000	**20,000**	44.72%	9,000
SUBTOTAL	**40,000**	**207,000**	**54,000**	**5,000**	**306,000**	**190,000**	**496,000**		**236,000**
Properties under development									
Huangnichuan North									
Lot D14 (SO5)	–	36,000	–	–	**36,000**	15,000	**51,000**	48.00%	24,000
Lot D10 (Hotel)	–	–	–	33,000	**33,000**	22,000	**55,000**	48.00%	26,000
Lot C22	21,000	–	–	–	**21,000**	10,000	**31,000**	48.00%	15,000
Lot E02b	47,000	–	–	–	**47,000**	14,000	**61,000**	48.00%	29,000
Other lots	169,000	14,000	18,000	–	**201,000**	92,000	**293,000**	48.00%	142,000
Hekou Bay									
Lot C04/C06	–	12,000	–	–	**12,000**	–	**12,000**	48.00%	6,000
Lot B02	–	29,000	1,000	–	**30,000**	36,000	**66,000**	48.00%	32,000
Lot B10	93,000	–	–	–	**93,000**	30,000	**123,000**	48.00%	59,000
Lot A01	37,000	–	–	–	**37,000**	6,000	**43,000**	48.00%	21,000
Other lots	26,000	115,000	156,000	97,000	**394,000**	52,000	**446,000**	48.00%	214,000
SUBTOTAL	**393,000**	**206,000**	**175,000**	**130,000**	**904,000**	**277,000**	**1,181,000**		**568,000**
Properties for future development									
SUBTOTAL	**355,000**	**867,000**	**262,000**	**42,000**	**1,526,000**	**–**	**1,526,000**	**48.00%**	**733,000**
TOTAL	**788,000**	**1,280,000**	**491,000**	**177,000**	**2,736,000**	**467,000**	**3,203,000**		**1,537,000**

BUSINESS REVIEW

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

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

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

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

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

PROPERTY SALES

RECOGNISED PROPERTY SALES

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

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

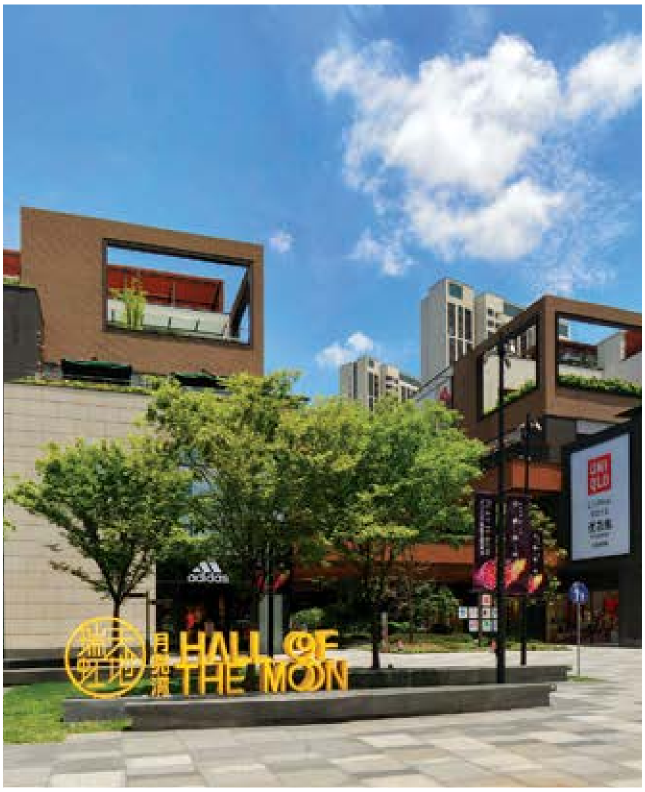
Property sales recognised as disposal of investment properties was RMB1,144 million, comprising the sale of a hotel at Shanghai RHXC Lot 3 and street front shops at The Palette 1 and The Palette 2 at Shanghai RHXC.

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

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

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

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



Rui Hong Xin Cheng • Hall of the Moon has become a new landmark in northern Shanghai

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

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

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

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

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

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

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

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

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

Rui Hong Xin Cheng • Hall of the Moon

CONTRACTED PROPERTY SALES AND OTHER ASSET DISPOSAL

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

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

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

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

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

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

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

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

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

Dalian Tiandi

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

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

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

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

RESIDENTIAL GFA AVAILABLE FOR SALE AND PRE-SALE IN 2018

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

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

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

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

PROPERTY DEVELOPMENT PROGRESS

PROPERTY COMPLETED IN 2017 AND DEVELOPMENT PLANS FOR 2018 AND 2019

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

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

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

THE FOLLOWING SECTION PROVIDES FURTHER DETAILS OF THE DEVELOPMENT PROGRESS AND COMPLETION OF EACH OF THE PROJECTS LOCATED IN SHANGHAI, WUHAN, CHONGQING, FOSHAN AND DALIAN

Shanghai Taipingqiao

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

Lakeville Phase 5 (Lot 118) will start construction work in 1H 2018.

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

Shanghai RHXC

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

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

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

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

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

Shanghai KIC

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

Wuhan Tiandi

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

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

Wuhan Optics Valley

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

Chongqing Tiandi

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

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

Foshan Lingnan Tiandi

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

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

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

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

Dalian Tiandi

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

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

INVESTMENT PROPERTY

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

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

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

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

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

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

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

2 3 Corporate Avenue was disposed of on 2 February 2016.

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

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

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

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

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

PROJECT	Leasable GFA (sq.m.) Office	Retail	Hotel	Total	Occupancy rate 31 December 2017	31 December 2016	Group's interest %
COMPLETED BEFORE 2017							
Shanghai Taipingqiao							
Shanghai Xintiandi	4,000	43,000	–	47,000	**100%**	99%	78.11%
THE HOUSE	–	7,000	–	7,000	**100%**	100%	78.11%
Xintiandi Style	–	26,000	–	26,000	**94%**	99%	77.33%
Shui On Plaza	32,000	–	–	32,000	**97%**	100%	62.49%[1]
THE HUB							
Office Towers1, 2, 3 and 5	93,000	4,000	–	97,000	**98%**	95%	78.11%
Mall and Xintiandi[2]	–	147,000	–	147,000	**93%**	79%	78.11%
Performance Center	–	19,000	–	19,000	**100%**	N/A	78.11%
Shanghai RHXC							
The Palette 3	–	28,000	–	28,000	**95%**	100%	49.50%
Hall of the Stars (Ruihong Tiandi Lot 6)	–	19,000	–	19,000	**95%**	97%	49.50%
Hall of the Moon (Ruihong Tiandi Lot 3)	–	64,000	–	64,000	**91%**	61%	49.50%
Shanghai KIC							
1-3 and 5-12 KIC Plaza	95,000	42,000	–	137,000	**96%**	89%	44.27%
KIC Village R1 and R2	11,000	11,000	–	22,000	**97%**	93%	44.27%
5, 6 and 7 KIC Corporate Avenue	53,000	8,000	–	61,000	**94%**	94%	50.49%
KIC Village 12-8	5,000	–	–	5,000	**100%**	100%	44.27%
Lot 311 Hotel	–	–	22,000	22,000	**97%**	N/A	50.49%
Wuhan Tiandi							
Wuhan Xintiandi	–	46,000	–	46,000	**85%**	95%	78.11%
HORIZON (Lots A1/2/3 Retail)	–	114,000	–	114,000	**89%**	79%	100.00%
Chongqing Tiandi							
The Riviera I, II & III	–	6,000	–	6,000	**98%**	98%	99.00%
Chongqing Tiandi (Lot B3/01)	–	49,000	–	49,000	**90%**	83%	99.00%
2, 6, 7 and 8 Corporate Avenue Retail	–	79,000	–	79,000	**42%**	84%	99.00%
Foshan Lingnan Tiandi							
Lingnan Tiandi (Phases 1 and 2)	–	49,000	–	49,000	**86%**	82%	100.00%
NOVA	–	73,000	–	73,000	**97%**	84%	100.00%
Lot E Office	16,000	–	–	16,000	**75%**	N/A	100.00%
Shui On New Plaza (Lot D retail podium)	–	15,000	–	15,000	**2%**	2%	100.00%
Dalian Tiandi							
Aspen and Maple Towers (Site D22)	42,000	–	–	42,000	**79%**	77%	48.00%
Acacia and Lynwood Towers (Site D14)	52,000	–	–	52,000	**80%**	77%	48.00%
Ambow (Training School)	113,000	–	–	113,000	**100%**	100%	48.00%
IT Tiandi (D10 Retail)	–	41,000	–	41,000	**60%**	53%	48.00%
SUBTOTAL	**516,000**	**890,000**	**22,000**	**1,428,000**			
NEW COMPLETION IN 2017							
Wuhan Tiandi							
Park Place (Lot B4/5)	–	72,000	–	72,000			100.00%
SUBTOTAL	**–**	**72,000**	**–**	**72,000**			
AS AT 31 DECEMBER 2017, INVESTMENT PROPERTIES HELD BY:							
– Subsidiaries of the Group	309,000	810,000	22,000	1,141,000			
– Joint venture	–	111,000	–	111,000			
– Associated companies	207,000	41,000	–	248,000			
TOTAL LEASABLE GFA AS AT 31 DECEMBER 2017	**516,000**	**962,000**	**22,000**	**1,500,000[3]**			
TOTAL LEASABLE GFA AS AT 31 DECEMBER 2016	**500,000**	**918,000**	**22,000**	**1,440,000[3]**			

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

2 Including retail space in the basement.

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

KIC Corporate Avenue provides comfortable working spaces for customers

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

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

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

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

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

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

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

LANDBANK

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

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

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

RELOCATION IN SHANGHAI RHXC

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

TURNOVER AND PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's *turnover* for the year 2017 increased by 5% to RMB18,451 million (2016: RMB17,600 million), mainly due to higher recognised property sales and rental and related income.

Property sales for the year 2017 increased by 4% to RMB16,169 million (2016: RMB15,604 million) as a result of increased property deliveries, especially for the Shanghai and Chongqing projects. Property sales of Shanghai projects-RHXC The Upper(Lot 9) and The Gallery(Lot 2), Shanghai Taipinqiao Lakeville Luxe(Lot 116) and Chongqing projects increased to RMB14,576 million during the year (2016: RMB8,999 million), while property sales of Wuhan and Foshan projects decreased to RMB1,593 million (2016: RMB6,605 million). Total area handed over to buyers reached 995,900 sq.m. (2016: 684,700 sq.m.). Details of the property sales during the year 2017 are shown in the paragraph titled "Property Sales" in the Business Review Section.

Income from property investment increased to RMB1,961 million (2016: RMB1,716 million). Rental and related income from investment properties for the year 2017 increased to RMB1,869 million (2016: RMB1,638 million), mainly due to higher rental income from the existing completed Shanghai properties. Backed by continuing improvements in occupancy rates and higher renewal rental rates, contributions from completed Shanghai properties increased to RMB1,445 million for the year 2017 (2016: RMB1,325 million), accounting for 77% (2016: 81%) of total rental and related income. In addition, the newly completed investment properties, including Hall of the Moon at RHXC, HORIZON at Wuhan Tiandi and NOVA at Foshan Lingnan Tiandi also saw significant improvements in occupancy rate year on year. The increase compensated for the loss of rental income from Shui On Plaza retail podium located at Shanghai Taipingqiao, due to an ongoing asset enhancement during the year 2017. Income from hotel operations, comprising contributions from Marco Polo Hotel in Foshan remained stable at RMB92 million for the year (2016: RMB78 million). Details of the business performance of investment properties are in the paragraph titled "Investment Property" in the Business Review Section.

Construction income generated by the construction business decreased to RMB194 million for the year 2017 (2016: RMB222 million).

Gross profit for the year 2017 increased significantly by 33% to RMB7,858 million (2016: RMB5,905 million), while gross profit margin increased to 43% (2016: 34%). The higher gross profit margin was mainly due to improved gross profit margins in both property sales and rental income. Property sales gross profit has reached RMB 6,366 million (2016: RMB 4,668 million), while gross profit margin increased to 39% (2016: 30%), gross profit from property investment increased to RMB1,364 million (2016: RMB1,171 million), while gross profit margin rose two percentage points to 70% (2016: 68%).

Other income, which mainly comprised interest income from banks and loans to associates and joint venture companies, decreased 21% to RMB456 million (2016: RMB580 million), due mainly to lower one-off grants received from the local government during the year. Grants received from local government decreased to RMB18 million (2016: RMB249 million).

Selling and marketing expenses decreased by 8% to RMB298 million (2016: RMB324 million) which was in line with the decrease in contracted property sales achieved by the Group (excluding sales by associates, other assets disposal and en-bloc sales) by 42% to RMB9,231 million (2016: RMB15,872 million).

General and administrative expenses, which comprises staff costs, depreciation charges and advisory costs incurred, decreased by 7% to RMB826 million (2016: RMB889 million). The decrease was attributable to lower staff costs, depreciation charges and advisory costs.

As a result of the above, *operating profit* jumped by 36% to RMB7,190 million for the year 2017 (2016: RMB5,272 million).

Gain on disposal of investment properties through disposal of subsidiaries represented one-off gains from the disposal of 49.5% interests in Rui Hong Xin Cheng Commercial Partnership Portfolio (Lots 3, 6 10, and Phase II retail) and the disposal of 79.2% of the interests in Partnership Portfolio in Chongqing's commercial portion in 2017 which amounted to a gain of RMB1,870 million and a loss of RMB78 million respectively. The corresponding gain in 2016 was for the disposal of interest in 3 Corporate Avenue located in Shanghai.

Increase in fair value of the remaining investment properties decreased 56% to report a gain of RMB518 million (2016: RMB1,176 million), of which RMB509 million (2016: RMB1,233 million) was contributed by completed investment properties and RMB9 million (2016: loss of RMB57 million) was from investment properties under construction or development. The increase in fair value of the remaining investment properties for the year 2017 represented a 1% gain compared with the value of investment properties as of 31 December 2017. The increase was partially offset by a RMB189 million fair value loss attributable to The Hub, Shanghai, arising from a change in the business model for the Performance Centre from self-operating to leasing. Accordingly the Performance Centre has been leased to a tenant since March 2017. The paragraph titled "Investment Property" in the Business Review Section provides a detailed description of these properties.

Other gains and losses amounted to a loss of RMB595 million (2016: gain of RMB495 million) of which RMB458 million was due to a rental guarantee arrangement arising from previously sold commercial properties in Chongqing Tiandi (2016: RMB227 million); RMB235 million from the early redemption of senior notes (2016: Nil), and RMB118 million arising from the decrease in fair value of a call option to buy back 5 Corporate Avenue (2016: gain of RMB10 million). This loss was partially offset by a gain on disposed of investment properties amounting to RMB156 million (2016: RMB8 million).

Share of losses of associates and joint ventures was RMB927 million for the year 2017 (2016: RMB289 million), due mainly to the Dalian Tiandi project. Because continuous losses from the Dalian Tiandi project, the Group has disposed its entire interest in the project to the local joint venture partner in November 2017 and the disposal is estimated to complete before 31 March 2018. The disposal is expected to generate a total cash consideration of RMB3,160 million.

Finance costs, inclusive of exchange differences, amounted to RMB1,691 million (2016: RMB2,495 million). Total interest costs decreased to RMB3,179 million (2016: RMB3,547 million). Of these interest costs, 42% (2016: 56%) or RMB1,344 million (2016: RMB1,982 million) was capitalised as cost of property development, the remaining 58% (2016: 44%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes was accounted for as expenses. In 2017, the percentage of capitalised interest of the Group's borrowings decreased, and the expense ratio increased as compared with the corresponding period, resulting in the increased finance costs reported. An exchange gain of RMB195 million was recorded as a result of the appreciation of the RMB against the HKD and the USD during the year 2017, as compared to a depreciation of the RMB in 2016 which generated a loss of RMB895 million.

Profit before taxation increased 35% to RMB6,250 million (2016: RMB4,635 million). The increase in profit before taxation is primarily due to the profit margin improvement in the recognized property sales of the Group during the year and the various assets disposal completed in 2017. In addition, the appreciation of the RMB in the 2H 2017 also had a positive impact on the financial performance of the Group.

Taxation increased 37% to RMB3,926 million (2016: RMB2,859 million). The tax rate including PRC land appreciation tax for the year 2017 was 62.8% (2016: 61.7%). PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profits during the year. PRC land appreciation tax was levied at progressing rates ranging from 30 percent to 60 percent on the appreciation value, being the proceeds of properties sales less deductible expenditure including costs of land, development and construction. The increased tax rate was mainly resulted from i) PRC land appreciation tax increased 48% to RMB1,959 million (2016:RMB1,323 million) as more properties in Shanghai RHXC with relatively high margin were delivered in 2017; ii) more interest expenses from offshore borrowings were expensed in 2017 which were not deductible in the PRC; and iii) more non-deductible losses from associates and joint ventures were incurred in 2017.

Profit for the year was RMB2,324 million (2016: RMB1,776 million).

Profit attributable to shareholders of the Company for the year 2017 was RMB1,669 million, an increase of 53% compared to the corresponding period (2016: RMB1,088 million). This is due to the abovementioned reasons and due to lower profits attributable to non-controlling interest shareholders of subsidiaries, partially offset by additional distributions to owners of perpetual capital securities.

Core earnings of the Group are as follows:

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

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

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

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

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

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

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

MAJOR ACQUISITIONS AND DISPOSALS

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

1. In January 2017, the Group entered into a 50:50 Joint Venture with CITIC and has made a successful bid for a piece of land in East Lake Ring, Wuhan, in the PRC. The Group's investment in the Joint Venture is approximately RMB1,410 million for funding the land acquisition.

2. In January 2017, the Group entered into a sales and purchase agreement to sell a hotel in Lot 3 at the Shanghai RHXC Project. The consideration was RMB500 million and the transaction was completed in May 2017.

3. In May 2017, the Group entered into an agreement with Vanke pursuant with which the Group disposed its 79.2% interest in the Chongqing project Partnership Portfolio for a consideration of RMB4,133 million. For details in relation to the disposal of the Chongqing project, please refer to the Group's circular dated 19 June 2017. The equity disposal was completed in June 2017.

4. In August 2017, the Group entered into an agreement with two independent third parties which resulted in the Group owning a 49% interest in the RHXC Lot 167. The Group may increase its interest to 80% in future. Total investment in RHXC Lot 167 is approximately RMB15 billion.

5. In September 2017, the Group entered into an agreement with China Life to sell a 49% interest in the Shanghai KIC project for a consideration of RMB2,949 million. For details relating to the disposal of the Shanghai KIC project, please refer to the Group's announcement dated 30 September 2017. The equity disposal was completed in December 2017.

6. In November 2017, the Group entered into an agreement to sell its entire interest (48% as of the date of disposal) in the Dalian Tiandi project for a consideration of RMB3,160 million. For details relating to the Group's disposal of its total interest in the Dalian Tiandi project, please refer to the circular dated 5 December 2017. The equity disposal is expected to complete on or before 31 March 2018.

7. In December 2017, the Group entered into an agreement with China Life to sell a 49.5% interest in the Shanghai RHXC Commercial Partnership Portfolio for a consideration of RMB3,869 million. For details pertaining to the disposal of the Shanghai RHXC commercial portfolio, please refer to the Group's circular dated 29 December 2017. The equity disposal was completed in December 2017.

8. In December 2017, the Group entered into an agreement to acquire a 100% interest in two office buildings in New Jiangwan City, YangPu District, Shanghai for a consideration of RMB1,144 million. For details relating to the Group's acquisition of two office buildings in Shanghai, please refer to the Group's announcement dated 20 December 2017.

LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

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

1. In January 2017, the Group issued an aggregate principal amount of USD500 million in senior notes which will be due in 2021 at a yield of 5.7 % per annum.

2. In February 2017, the Group had fully repaid an aggregate principal amount of RMB2,500 million in senior notes at a yield of 6.875% per annum.

3. In June 2017, the Group has fully redeemed senior notes with principal amount of USD202,487,000 due 2020 at a yield of 9.75% per annum with a redemption price equal to 104.875% of the total principal amount plus the accrued and unpaid interest. The total amount paid for such redemption is equivalent to RMB1,452 million.

4. In June 2017, the Group issued an aggregate principal amount of USD600 million in senior perpetual capital securities which will be callable in 2022 at a yield of 6.4% per annum.

5. In July 2017, the Group has fully redeemed senior notes with principal amount of USD500million due 2017 at a yield of 8.7% per annum with a redemption price equal to USD 1,036.37984 per USD1,000 in aggregate amount. The total amount paid for such redemption is equivalent to RMB3,512 million.

6. In December 2017, the Group has fully redeemed senior perpetual capital securities with principal amount of USD500million at a yield of 10.125% per annum with a redemption price equal to at par of the total amount. The total amount paid for such redemption is equivalent to RMB 3,303 million.

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

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

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

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

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

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

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

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

PLEDGED ASSETS

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

CAPITAL AND OTHER DEVELOPMENT RELATED COMMITMENTS

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

CASH FLOW MANAGEMENT AND LIQUIDITY RISK

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

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

NOVA at Foshan Lingnan Tiandi offers brand new commercial experience for the city

EXCHANGE RATE AND INTEREST RATE RISKS

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

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

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

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

MARKET OUTLOOK

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

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

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

Although the government imposed property cooling measures to rein in speculative house purchases, the total sales area of residential housing reached a record high of 1.45 billion square metres in 2017, and total sales value reached RMB11.02 trillion, representing respectively annual increases of 5.3% and 11.3%. In the coming year, the government will move to put in place a long-term housing system that ensures supply through multiple sources, provides housing support through multiple channels, and encourages the development of the rental market along with home ownership. Meanwhile, China will apply differentiated property policies based on local conditions. With respect to the property market, we expect various measures affecting the residential sector such as price controls, restrictions on home purchases, and granting of sales permit will remain in place. In view of rising home mortgage rates and debt deleveraging, we expect residential property transactions to slow in 2018.

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

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

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

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

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

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

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

Wuhan Tiandi provides comfortable spaces for living and working

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the "Board") is pleased to present the Corporate Governance Report for the year ended 31 December 2017.

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

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

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Board has reviewed the corporate governance practices of the Company along with the adoption and improvement of various procedures and documentation, which are detailed in this report. During the year ended 31 December 2017, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code.

BOARD OF DIRECTORS

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

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

The Board had the full support of the senior management of the Company in discharging its responsibilities during the year ended 31 December 2017.

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

BOARD COMPOSITION

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

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

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

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

During the year ended 31 December 2017 and at the date of this report, the Board comprises the following Directors:

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

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

Brief biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" section on pages 101 to 106.

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

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

BOARD DIVERSITY

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

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

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

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

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

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

The Directors are continually updated on legal and regulatory developments, as well as business and market changes, in order to facilitate the discharge of their responsibilities. During the year ended 31 December 2017, the Directors attended five training sessions organised by the Company.

In addition, individual Directors participated in forums and workshops organised by external professional consultants for continuous professional development. All Directors have provided the Company with their training records for the year ended 31 December 2017.

BOARD AND BOARD COMMITTEES MEETINGS AND SHAREHOLDERS' MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The Company held an annual general meeting and five regular Board meetings during the year. The Company has also set a schedule for its regular Board meetings and Board committee meetings in 2018 in observance of the CG Code.

The attendance records of each Director at the Board meetings and shareholders' meetings in 2017 are set out below:

Name of Directors	Attendance / Number of Board meetings held during tenure	Attendance of the annual general meeting held on 24 May 2017
EXECUTIVE DIRECTORS		
Mr. Vincent H. S. LO	5/5	✓
Mr. Douglas H. H. SUNG	5/5	✓
NON-EXECUTIVE DIRECTOR		
Mr. Frankie Y. L. WONG	5/5	✓
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Sir John R. H. BOND	4/5	✓
Dr. William K. L. FUNG	5/5	
Professor Gary C. BIDDLE	5/5	✓
Dr. Roger L. McCARTHY	5/5	✓
Mr. David J. SHAW	5/5	✓
Mr. Anthony J. L. NIGHTINGALE	4/5	✓

PRACTICE AND CONDUCT OF MEETINGS

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

MODEL CODE FOR SECURITIES TRANSACTIONS

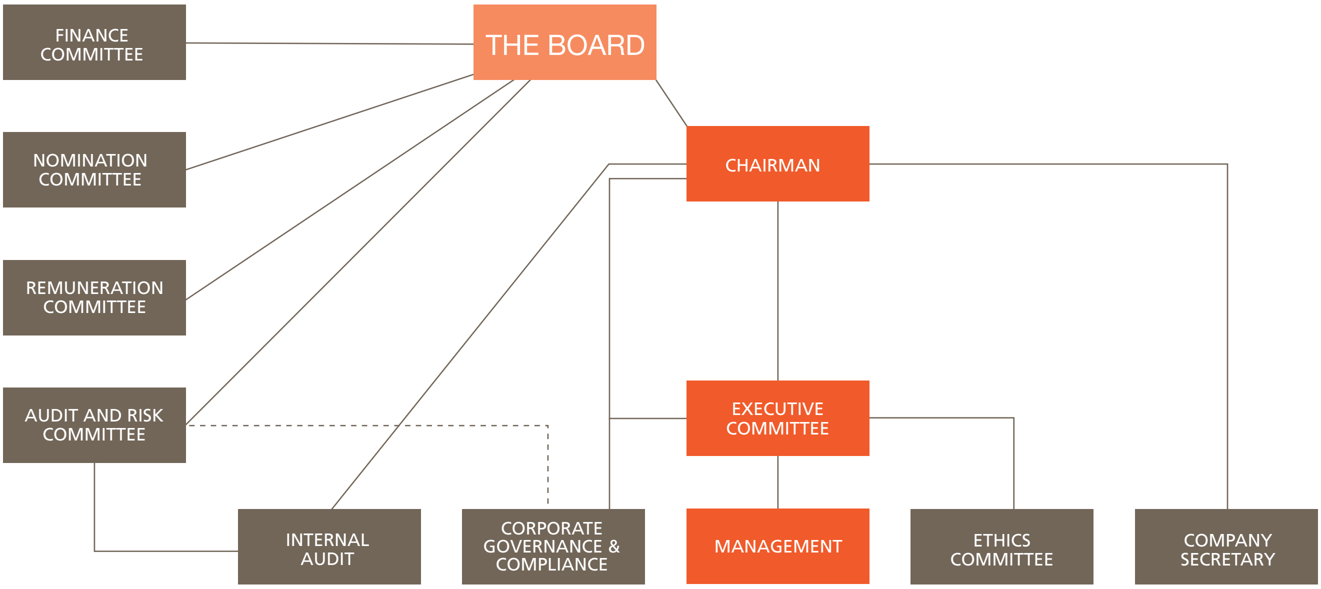
The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2017.

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

No incident of non-compliance with the Model Code by the Directors and the Code for Securities Transactions by Relevant Employees was noted by the Company during the year ended 31 December 2017.

SHUI ON LAND CORPORATE GOVERNANCE ORGANISATION FOR THE YEAR ENDED 31 DECEMBER 2017



BOARD COMMITTEES

During the year ended 31 December 2017, the Board had four Board committees, namely, the Remuneration Committee, the Audit and Risk Committee, the Nomination Committee and the Finance Committee, for overseeing particular aspects of the Company's affairs.

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

The majority of the members of each Board committee are INEDs. The list of the Chairman and members of each Board committee is set out in the "Corporate Information" section on page 228.

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

REMUNERATION COMMITTEE

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

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

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

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

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

During the year ended 31 December 2017, the Remuneration Committee had reviewed the remuneration policy and structure of the Company; the current remuneration package of the Executive Director and senior management in consideration of their duties, responsibilities and market conditions; as well as the incentive plans for the employees of the Group by way of written resolutions.

AUDIT AND RISK COMMITTEE

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

The main duties of the Audit and Risk Committee include the following:

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

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

The Audit and Risk Committee held four meetings during the year ended 31 December 2017 (with an attendance rate of 100%). The Audit and Risk Committee also held separate meetings with the external auditor and the internal auditor during the year to discuss pertinent issues of the Company without the Executive Directors being present.

During the year ended 31 December 2017 and up to the date of this report, the Audit and Risk Committee had reviewed the Group's interim results for the six months ended 30 June 2017 and annual results for the years ended 31 December 2016 and 2017, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditor. No material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern had been found.

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

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

NOMINATION COMMITTEE

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

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

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

The Nomination Committee held one meeting during the year ended 31 December 2017 (with an attendance rate of 100%). The Nomination Committee had reviewed the independence of INEDs; the structure, size and composition of the Board with reference to the Board Diversity Policy to complement the Company's corporate strategy.

FINANCE COMMITTEE

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

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

The Finance Committee held two meetings during the year ended 31 December 2017. All members of the Finance Committee attended the two meetings, except for Mr. Frankie Y. L. WONG who attended one of the meetings.

During the year ended 31 December 2017, the Finance Committee had reviewed the financial policies and guidelines of the Company; considered and approved the financial strategies and objectives recommended by the Chief Financial Officer; and submitted to the Board a summary of the investment/disposal analysis and recommended to the Board in respect of the related property projects.

RISK ASSESSMENT/ MANAGEMENT

STRATEGIC PLANNING

In 2017, the Company made a decisive strategic move to increase asset turnover and implement its asset-light business model. This fine-tuning of business strategy has allowed the Company to accelerate capital recycling, capture new business opportunities and create more value for shareholders.

The Company continued to develop its competitive advantages in innovation and strive for excellence. Strategic action plans were developed, implemented and monitored by relevant executives and management to improve services and enhance the customer experience so as to achieve an operational model that is market-driven and customer-focused. The Company also developed balanced scorecards to measure individual performance in relation to these corporate objectives.

RESOURCES PLANNING AND COST CONTROLS

During the year ended 31 December 2017, the Company's main focus as regards resources planning remained fund raising through various means to expedite the completion of maturing projects, as well as to strengthen its ability to manage its retail resources to meet future challenges. This was carried out successfully, enabling the Company to increase its focus on delivering on the targets in its business plan.

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

ENTERPRISE RISK MANAGEMENT

The Company has had a formal risk identification and management process in place from virtually its initial public listing. With the amendments to Appendix 14 "Corporate Governance Code and Corporate Governance Report" of the Listing Rules, the Company has elected to formalise its existing risk management system via a Risk Management Policy, to reference explicitly its conformance to the guidance set forth in Appendix 14 of the Listing Rules.

A "Top-Down" approach is adopted in the Company's risk management framework as this most accurately reflects the Company's risk profile. The Company recognises that the overwhelming majority of its corporate risk stems from uncontrollable events in its business and operating environments, which can only be addressed by Board level policy. Thus, the most effective enterprise risk management is facilitated by strong oversight exercised by the Board of Directors, the Audit and Risk Committee and the EXCOM in the establishment and maintenance of the risk management policy, framework and programme. These oversight components provide leadership and guidance that the business needs in order to focus, balance risk and reward, and steer the Company in the planned direction. This approach ensures clarity about the most extreme/high risks involved in shaping the Company's objectives and performance, supports risk related decisions at the Board/EXCOM and ensures effective communication amongst the management and operations teams with a view to identifying and reporting new risks of potentially strategic importance to senior management.

The project directors and functional department heads of the Company are responsible for operational risk assessment. The operational risk assessment comprises of risk identification, risk assessment and prioritisation, risk response, risk monitoring and risk reporting. The Audit and Risk Committee requires management to present a risk assessment/management report at the Audit and Risk Committee meeting. The Chief Internal Auditor facilitated this by interviewing relevant management semi-annually to help document major risks faced by the Company and the key management actions taken to manage them. Details about the Group's risk management framework and risk assessment are set out in the Risk Management Report.

INTERNAL CONTROLS

During the year ended 31 December 2017, management and the Internal Audit and Risk Department conducted reviews of the effectiveness of the Company's system of internal controls, including those of its subsidiaries and major associates. The Audit and Risk Committee reviewed the summary report prepared by the internal auditors on the effectiveness of the Company's system of internal controls and reported its summary results to the Board covering all material controls, including financial, operational and compliance controls and risk management functions. The Board also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

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

INTERNAL AUDIT AND RISK

During the year ended 31 December 2017, the Chief Internal Auditor of the Internal Audit and Risk Department functionally reported to the Chairman and had full and free access to the Audit and Risk Committee. The internal audit charter allows the internal auditors to have unrestricted access to all functions, records, property and personnel, while maintaining appropriate confidentiality in performing their work.

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

During the year ended 31 December 2017, the Internal Audit and Risk Department issued reports to the Chairman and relevant management personal covering various operational and financial processes and projects of the Company. It provides summary reports to the Audit and Risk Committee together with the status of the implementation of their recommendations in each Audit and Risk Committee meeting.

ETHICAL CORPORATE CULTURE

The Company has established various policies, including its Code of Conduct and Business Ethics, to govern business ethics and best practices. The Company emphasises integrity as an important foundation of its corporate culture and a strategic choice, and leverages it as one of its competitive advantages. New staff will undergo an introduction to ethics in their orientation and are requested to complete a declaration of their commitment to abide by the Company's Code of Conduct and Business Ethics. In addition, they are required to join an online ethics training session upon completion of their probationary period. Selected staff are designated as ethics experts, whose mission is to enhance the ethical awareness and standards of the Company by providing coaching and training to other staff. Ethics training is developed by the Human Resources Department and various training sessions were delivered to staff during 2017.

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

ANTI-FRAUD MEASURES

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

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

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

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

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

The statement of the external auditor of the Company about their reporting responsibilities in regard to the financial statements is set out in the "Independent Auditor's Report" on pages 121 to 127.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2017 is set out as follows:

SERVICES RENDERED FOR THE COMPANY	Fee paid/ payable (HK$ 'M)
AUDIT SERVICES:	
Annual audit of the financial statements of the company and its subsidiaries	6.5
NON-AUDIT SERVICES:	
Review of interim report for the six months ended 30 June 2017	1.5
Issue of comfort letters in respect of perpetual capital securities or senior notes of the Company	1.8
Issue of letters of indebtedness statement and working capital statement in respect of the major disposal transactions	2.2
IT consulting service relating to CXTD business intelligence platform	0.2
Tax compliance review and advisory services	2.8
Others	0.6
TOTAL:	15.6

ANNUAL REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out below:

ANNUAL REMUNERATION BY BAND	Number of individuals
RMB1,000,000 and below	1
RMB1,000,001 – RMB2,000,000	1
RMB2,000,001 – RMB3,000,000	1
RMB3,000,001 – RMB4,000,000	2
RMB4,000,001 and above	12

Details of the remuneration of the Directors for the year ended 31 December 2017 are set out in note 10 to the consolidated financial statements.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

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

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

MAJOR INVESTOR RELATIONS EVENTS IN 2017/2018

2017	DATE	EVENT	CITY
January	4	Credit Sussie China Hong Kong Property Corporate Day	Hong Kong
January	9-11	UBS Greater China Conference	Shanghai
March	27-30	Credit Sussie 20th Annual Asian Investment Conference	Hong Kong
March		2016 Results Roadshow	Hong Kong, Singapore, Shanghai, London
April	11-12	UBS HK/China Property Conference 2017	Hong Kong
May	11-12	HSBC 4th Annual China Conference	Shenzhen
June	5-7	J.P. Morgan Global China Summit 2017	Beijing
June	12	Deutsche Bank Asian CB Conference 2017	Hong Kong
August		1H2017 Results Roadshow	Hong Kong, Singapore, Shanghai, US, Europe
September	12-13	BofAML 2017 Global Real Estate Conference	New York
November	1-2	Jefferies 7th Annual Greater China Summit	Hong Kong
November	8-10	BofAML 2017 China Conference	Beijing
November	15-17	Morgan Stanley Sixteenth Annual Asia Pacific Summit	Singapore
November	28-29	UBS Global Real Estate CEO/CFO Conference 2017	London
2018	**DATE**	**EVENT**	**CITY**
January	4	BNP Paribas APAC Financials & Property Conference	Hong Kong
January	8-10	UBS Greater China Conference in Shanghai	Shanghai

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

To maintain and improve the visibility of the Company in the financial community, the Company held numerous road shows and participated in investor conferences during the year ended 31 December 2017. The management and the investor relations team met hundreds of investors personally to discuss the Company as well as its development and strategies in conference calls and video meetings.

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

To enhance communication with shareholders at the Company's Annual General Meeting and extraordinary general meetings, the conducting language has been changed to Cantonese with simultaneous interpretation in English. Most of the Directors were present at the Annual General Meeting held on 24 May 2017. The general meetings provided shareholders with a useful forum to exchange views with the Board.

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

COMPANY SECRETARY

Mr. UY Kim Lun, our Company Secretary, is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with the shareholders and with the management. During the year ended 31 December 2017, Mr. UY had undertaken not less than 15 hours of relevant professional training to update his skills and knowledge.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the year ended 31 December 2017.

CORPORATE GOVERNANCE ENHANCEMENT

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

RISK MANAGEMENT REPORT

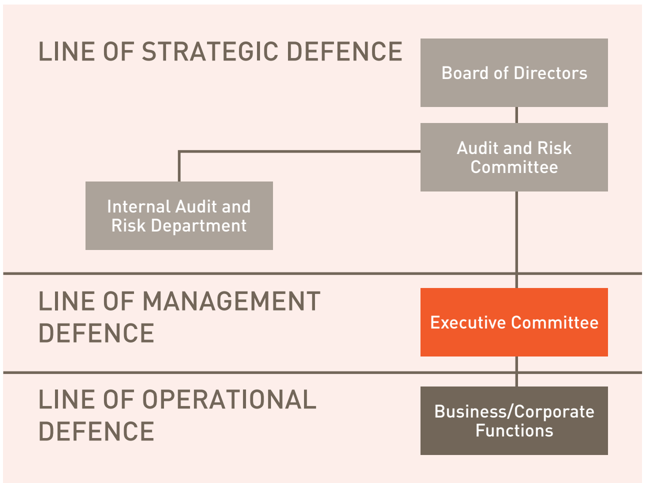
The Company is committed to continual improvement of its risk management and internal control system to ensure the long-term sustainability of its business.

The Company established before its IPO and has since continually operated a risk identification and management system under the responsibility of the Audit and Risk Committee of the Company. Our approach and methodology in establishing the risk audit mechanism is tailored to the Company's complex business, operating as it does in numerous locations throughout the PRC. The Company's internal risk management system exceeds the regulatory requirements and was instituted to enhance the risk management of the Group. With the amendments to Appendix 14 "Corporate Governance Code and Corporate Governance Report" of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Company has elected to formalise its existing risk management system by a Risk Management Policy to explicitly reference its conformance to the guidance set forth in Appendix 14.

RISK MANAGEMENT FRAMEWORK

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

1. RISK GOVERNANCE STRUCTURE



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

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

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

The Internal Audit and Risk Department carries out the role of an independent assessor. It performs analysis and independent appraisals to assess the adequacy and effectiveness of the Company's risk management framework and programme. The Internal Audit and Risk Department reports to the Executive Committee and the Audit and Risk Committee on the results of the independent risk and control assessment, of which the scope, frequency and timing are subject to the discretion of the Executive Committee and the Audit and Risk Committee.

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

2. RISK MANAGEMENT METHODOLOGY AND PROGRAMME

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

a. Risk Identification

Business/Corporate Functions, which directly oversee their respective processes, are responsible for identifying the potential risks of their processes that arise in their daily operations. Risks identified during the risk identification process should be reflected in the risk inventory collated by the risk coordinator and subsequently tested for control effectiveness by the Internal Audit and Risk Department, which summarises the risks that the Company is facing.

b. Risk Assessment and Prioritisation

Risks are continually evaluated and the top risks of the Company are prioritised for the development of risk effect management plans.

c. Risk Response

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

There are two types of risk responses in general:

Acceptance: Risks being considered as immaterial and the acceptance is based on the risk appetite of the Company and therefore no action is considered necessary.

Reduction: Risks that cannot be considered immaterial, actions such as greater management controls, automation in monitoring, alarms, etc., should be considered to reduce the impact and vulnerability to a practicable level.

The risk mitigation measures for risks that are potentially material should be assessed by the Internal Audit and Risk Department and be reviewed and approved by the Executive Committee before implementation.

d. Risk Monitoring

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

e. Risk Reporting

Annual risk assessment is conducted to manage effectively the Company risk profile. The Audit and Risk Committee provides continuous updates to the Board at the regularly scheduled meetings throughout the year based on the risk inventory collated by the risk coordinator and the respective key control effectiveness testing results reported by the Internal Audit and Risk Department.

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

CORPORATE SOCIAL RESPONSIBILITIES

CSR MANAGEMENT

CSR PHILOSOPHY AND STRATEGIES

With the principle of "cooperating with governments to promote prosperity and growing with the community", Shui On Land proactively communicates with the government, environment, society, the public, communities, customers and other stakeholders. By seeking the optimal ways to respond to multiple appeals, it makes every effort to align the Group's business growth with the expectations of various stakeholders and social development. Shui On Land has gradually developed three major components of its CSR DNA, namely: "Sustainable Development", "Community Prosperity" and "Talent Development" to guide its daily operations, business development and responsible corporate practices, with a view to setting out an ideal blueprint for sustainable urban regeneration and contributing to the sustainable development of society.

THE GROUP'S CSR DNA

SUSTAINABLE DEVELOPMENT

Respect nature, Build green communities

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

COMMUNITY PROSPERITY

Strive for perfection, Lead the future

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

TALENT DEVELOPMENT

Put People first, Share results

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

CSR IMPLEMENTATION AND ADVANCEMENT

By deriving inner strength from its corporate vision, brand philosophy and corporate culture underlined by strategy-led initiatives, the Group has gained a deep insight into the important social responsibilities of a real estate developer, with an emphasis on the synergetic development of the corporation and its various stakeholders.

In 2006, the Group set up the Sustainable Development Committee and the Corporate Culture Enhancement Committee whose work cuts across different departments and projects, achieving internal synergetic benefits in corporate social responsibilities. In light of its stage of development and external situation, the Sustainable Development Committee regularly organises department-level meetings to discuss, analyse and adjust relevant issues of sustainable development so as to integrate the Group's CSR philosophy and strategies into its daily business operations. Working with Green Office, Recreation Club and Seagull Club, the Corporate Culture Enhancement Committee organises various activities to improve employees' understanding of the Group's CSR philosophy and drive corporate social responsibility in its daily operations.

COMMUNICATION WITH AND RESPONSE TO KEY STAKEHOLDERS

Based on the actual conditions of project development and corporate operations, the Group makes proactive efforts to understand and respond to its stakeholders' reasonable expectations and demands. It continues to diversify its communication means and channels to jointly create and share economic and social values.

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

SUSTAINABLE DEVELOPMENT

Shui On Land has been committed to a planning philosophy in line with the future development of a region or a city. In the initial stage of project establishment, the Group considers not only building and space requirements, but also the need for meeting a city's development goals and functional upgrading, so as to realise cultural inheritance and an evolving lifestyle, create values for society, and promote sustainable development of cities.

In response to the new development and new requirements of the national strategy, such as "Healthy China", the Group announced in its Fifth Forum on Sustainable Development in July 2017, a set of targets and implementation plans for "Six Major Guidelines of Sustainable Development" and "Green and Healthy Communities" for 2017-2021.

SHUI ON'S SUSTAINABLE DEVELOPMENT GUIDELINES FOR 2017-2021

1 All large-scale master-planning projects majority owned and managed by Shui On Land to achieve LEED-ND certification.

2 Actively strive for the healthy building certifications.

3 All new commercial projects and furnished residential projects majority owned and managed by Shui On Land to achieve LEED or China Green Building Label certification, and strive for certification throughout the life-cycle.

4 By 2021, the carbon emission per unit area of all Shui On Land owned and operating real estate developments to be reduced by 1/3 compared with that of 2011.

5 All new commercial projects owned and operated by Shui On Land to be equipped with systems to monitor energy and water consumption.

6 All new office-building projects owned and operated by Shui On Land to display environmental health indexes to their residence.

SHUI ON'S GREEN AND HEALTHY COMMUNITY SYSTEM

Rui Hong Xin Cheng

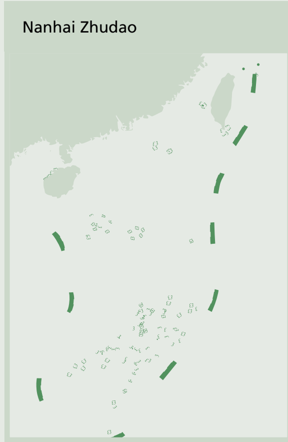
With its master planning awarded LEED-ND (Neighbourhood Development) 2009 Stage 2 Gold level, it has become the first project winning this stage of certification in East China

Taipingqiao

Awarded LEED-ND (Neighbourhood Development) 2009 Stage 2 Gold level

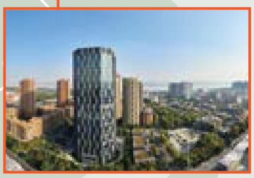
KIC

Awarded LEED-ND (Neighbourhood Development) 2009 Stage 2 Gold level



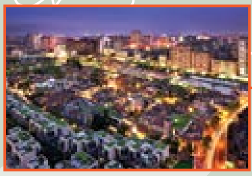
Chongqing Tiandi

Awarded LEED-ND (Neighbourhood Development) 2009 Stage 2 Gold level



Wuhan Tiandi

With its master planning awarded LEED-ND (Neighbourhood Development) Pilot Stage 2 Gold level (pre-certified), it has become the first commercial development project winning this accolade in China



Foshan Lingnan Tiandi

Awarded LEED-ND (Neighbourhood Development) 2009 Stage 2, it is the world's first project pre-certified under LEED-ND 2009

DEVELOPMENT OF MIXED-USE GREEN AND HEALTHY SUSTAINABLE COMMUNITIES

Incorporate the "health" element into the principle for planning upgraded green communities

The Group has added the element of "health" to its sustainable development guidelines for 2017-2021. Exploring the development of standards for its green and healthy buildings and communities, Shui On Land has come up with a programme for building "green and healthy communities", unequivocally integrating the "health" element into the full lifecycle of each project based on the green community concept. It covers four major aspects of green development: planning for green and healthy living, design for green and healthy living, green and healthy procurement and construction, and green and healthy operations. Focusing on people's needs in the community, the Group has been exploring ways to create a healthier and more comfortable indoor environment, healthier and better-developed community facilities, and healthier and more customised community services for residents. In fact, as part of our commitment to the green community development concept, we have considered to a certain extent the impact of communities on people's health by developing integrated mixed-use communities with convenient public transport, pleasant public areas such as public plazas, streets and green spaces, as well as walkability-oriented street designs that reflect a healthy respect for local history and culture. We are committed to obtaining LEED Neighbourhood Development (LEED-ND) certification for each major master-planned project owned and managed by the Group. As of 2017, Shui On Land ranked first among developers in mainland China in terms of the amount of building area awarded LEED-ND Stage 2 Gold level.

LEED AND CHINA GREEN BUILDING LABEL CERTIFICATION AWARDED TO THE GROUP AS OF DECEMBER 2017

LEED

Total GFA
2,450,000 sq.m

- 12 LEED-CS Gold
- 3 LEED-CS Platinum
- 12 LEED-CS Gold (pre-certified)
- 1 LEED-CI Gold
- 2 LEED-CI Silver
- 1 LEED-CS Silver (pre-certified)

China Green Building Label

Total GFA
2,320,000 sq.m

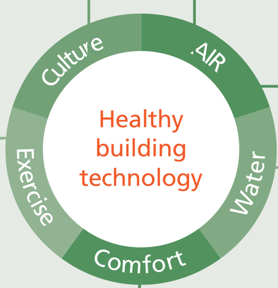
- 15 Two-Star China Green Building Label
- 7 Three-Star China Green Building Label
- 2 Two-Star China Green Building Operation & Management Label
- 2 One-Star China Green Building Label

Devoted to green building certification throughout a project's life-cycle and actively pursuing healthy building certification

In addition to LEED-ND green planning certification, the Group is committed to securing LEED certification for green design and China Green Building Label certification. As of 2017, the Group were awarded LEED certification or pre-certification for 30 newly-built commercial projects and China Green Building certification for 12 newly-built commercial projects and 13 newly-built residential projects. In 2017, the commercial renovation project of Shui On Plaza obtained LEED Core and Shell pre-certification at the gold level and Wuhan Tiandi (Lots B14 and B45) received one-star China Green Building Design Label certification. In 2017, the Group further promoted label certification for green operations, realising total-process certification from planning to operation. In particular, Rui Hong Xin Cheng's Ming Ting and the View, being the first to gain two-star labels in the evaluation of green building operation and management, were Shanghai's first residential projects to earn green building labels, with a green building contribution award conferred by the Shanghai Green Building Council during 2017. Bearing testimony to the widespread industry recognition of the Group's sustainable development practices, Shui On Land was named among "Top 10 for Green Development Competitiveness" and "Top 10 for Green Building Operations" on China's List of Top Green Buildings in 2017.

To practise the "healthy community" concept, the Group has been bringing its projects to actively participate in the national programme on "Evaluation Standards for Healthy Buildings". In 2017, it filed an application for Rui Hong Xin Cheng (Lot 1) and Taipingqiao Project (Lot 118) to be evaluated based on the national standards for healthy buildings.

TECHNOLOGY PLANNING FOR HEALTHY BUILDINGS IN RUI HONG XIN CHENG (LOT1)



Creating pleasant and comfortable shared space

- Indoor and outdoor open spaces, activity venues for children and the elderly, pleasant art decorations
- Improve supporting facilities for the elderly

Outdoor exercise facilities

- The outdoor exercise venue measures at least 243 m2and is equipped with no fewer than 11 sets of exercise equipment
- Heping Park nearby is equipped with outdoor exercise tracks
- Clean and bright staircases

Environmental temperature and humidity

- Assess indoor temperature and humidity in terms of indoor air temperature, radiation temperature, air humidity, air velocity, human metabolic rate, and heat resistance of clothes; achieve thermal comfort through the fresh air system of central air conditioning

Prevention and control of indoor pollution sources

- Isolating emissions of kitchen fume/bathroom odour
- Selection of decorative materialsy

Prevention and control of outdoor pollution sources

- Fresh air purification and filtrating system

Control of domestic water

- Safety of water treatment
- Ease of use of water facilities

Acoustic environment

- Background noise meets the health requirement
- There is room for improvement in building components' soundproofing performance

Light environment

- Night lighting meets mobility requirements without affecting human physiological reactions; night-time physiological equivalent luminance should not be higher than 50lx

Optimising energy consumption management with persistent efforts in cutting carbon emissions

In 2017, the Group improved and optimised its energy management platform, with continued efforts to incorporate new projects into the system, improve the data quality of existing projects, and explore the value of applying energy consumption data. Through a variety of online projects, its subsidiary Feng Cheng Property Management completed reconciliation of system-wide energy consumption data with the meter readings recorded. A professional third party was engaged to assess the data quality of projects still under warranty. Any problem identified was brought to the attention of the construction team for rectification in order to improve the accuracy of system-wide energy consumption data. In 2017, we piloted a system in 5 Corporate Avenue for measuring and monitoring energy and water consumption. Based on the energy and water consumption data obtained, we finetuned our energy conservation management and carried out an energy-saving technology retrofit project. Moreover, for the benefit of customers, we publicised in real time vital environmental data, covering electricity and water consumption, air quality and carbon emissions, with the help of multimedia facilities in elevators.

DEVELOPMENT PROCESS OF ENERGY MANAGEMENT SYSTEM

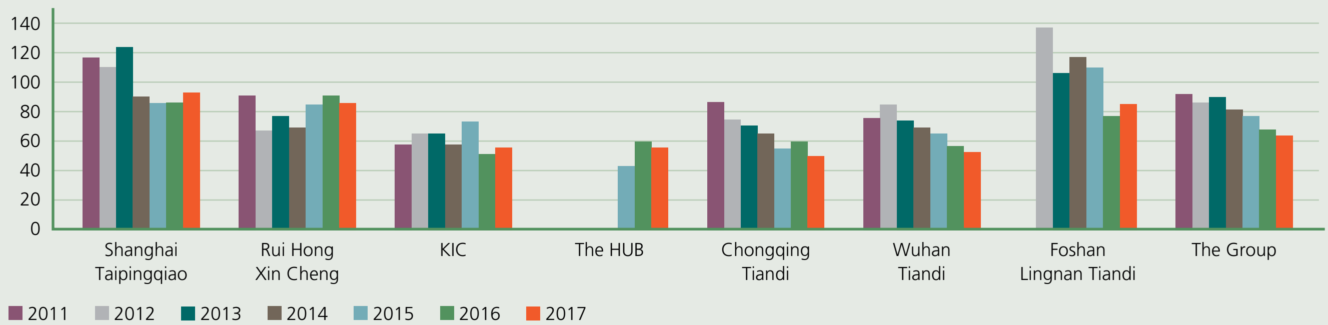
- **2014** Energy management platform established
- **2016** Energy management platform covers all commercial projects
- **2017** Continued improvement and optimization, the value of applying energy consumption data explored

In 2017, the Group continued to implement a strategy for energy conservation, conducting energy consumption monitoring and retrofit projects on equipment with energy-efficient LED lamps and inverter water pumps installed for various projects. Periodic inspection of operation schedules and effective delegation at the corporate level were carried out to minimise energy consumption while ensuring satisfactory levels of comfort and lighting experience. Through efficient green operations, the Group's energy consumption has been reduced substantially over the years; in 2017 gas consumption in comparable projects managed by Feng Cheng Property Management dropped by 150,000 m^3, down 12% as compared with 2016; and electricity consumption decreased by 43,940,000 kWh, down 4.1% as compared with the same period last year.

The Group promoted the idea of energy conservation and environmental protection while encouraging environmental care among its employees. In June 2017, the Sustainable Development Committee and the Corporate Culture Enhancement Committee jointly launched the "Green Office – Energy Conservation Initiative at Shui On Head Office", calling on employees in the head office to timely turn off the lights and air-conditioning facilities after meeting and after work, while the Administrative Department was given the task to enhance management of meeting rooms and common areas, and the Security Department of Feng Cheng Property Management asked to strengthen night inspection and management feedback. In the period ended December 2017, 37,013 kWh of electricity was saved during the six-month period of the initiative, an improvement of 9.5% compared with the same period last year; energy conservation over and above a 10% reduction target was achieved at the 23rd floor of the head office.

Since 2010, the Group has engaged a third-party certification body to quantify the greenhouse gas emissions generated by the Group's own properties under normal operation. In 2017, building on the success in cutting down greenhouse gas emissions by 25.31% in the past five years, the Group proposed a new target of reducing carbon emissions per unit area for all its owned properties in operation by one-third (from the baseline of 2011) by 2021. According to third-party certification data, greenhouse gas emissions per sq km of Shui On Land's properties under normal operating conditions in 2017 were 65.19 tonnes, down 28.41% from 2011, equivalent to planting 2354,000 trees.

CARBON EMISSIONS PER SQ M OF THE GROUP'S PROPERTIES DURING 2011-2017



Foshan Lingnan Tiandi had no property under normal operating conditions in 2011
THE HUB had no property under normal operating conditions before 2015
Corporate Avenue was sold and hence not included in the 2015 statistics
Dalian Tiandi was sold and hence not included in the 2017 statistics

CREATING QUALITY SPACE

Committed to a people-oriented philosophy, the Group takes into full account human experiences and needs in the project planning, design, construction and operation processes. We continue to deliver high-quality experiences to our customers by improving construction quality, internal and external environments, and service quality.

Improving construction quality

The Group is dedicated to providing high quality buildings for its customers. All projects are designed and constructed to international standards with the use of construction and decoration materials, incorporating customer needs into the whole lifecycle of each project. Based on the ISO9001 quality management system, the Group has developed a comprehensive construction quality management system, supported by a series of rules and regulations, including Shui On's Standard Material and Workmanship Requirements, Shui On's Atlas of Standard Nodes and Quality Control, and the Product Defect Improvement Manual to refine and quantify quality management parameters. We have also introduced a third party to carry out periodic reviews of the quality of our engineering projects. In 2017 the Group saw a significant improvement in project quality as compared with the preceding year, evidenced by the delivery of a higher-than-expected proportion, at 98%, of zero-defect units.

To promote the intelligent development of the construction industry and enhance construction quality, the Group piloted the smart BIM (Building Information Modelling) technology for development and management of commercial projects. During the construction of commercial project Wuhan Tiandi B4, the Group systematically implemented the concept of engineering collaboration based on a three-dimensional model, including master scheduling at the initial stage of the project, improvement of modelling standards at different phases, integration of BIM with onsite construction, drawings-based models management and onsite reviews, work progress announcements, and integration of an Internet-based management platform and BIM modelling. The project won the second prize (Integrated Category) in the 6th national "Longtu Cup" BIM Competition in 2017. Through this project, the Group trained up a group of BIM technicians to provide the foundation for establishing a company-level BIM system. During the period, Feng Cheng Property Management was also involved in the development of demand and function modules for BIM operation, preparing itself for maximising the value-in-use throughout the whole lifecycle of each BIM project.

Environmental quality is closely related to the health of residents. To address the indoor air quality of its projects, the Group specifically requires China Environmental Labelling for coatings, artificial boards, adhesives, wallpaper, wooden doors and steel doors, plastic pipes, building blocks, waterproofing and other materials. The Group has newly launched an "Environmental Health Index", a more easily understandable indicator for the general public based on existing air parameters to fully reflect the health of indoor environments. In 2017, the Group set up an indoor air quality research team to control indoor air quality from source after project completion.

MANAGEMENT PROCESS OF HOUSING QUALITY

Housing quality control process

Construction	Before delivery	After delivery
• Contractors and construction units required to work in accordance with the basic requirements of engineering measures • Communicating regularly with the contractor on how to improve project quality	• An indoor air test conducted for each housing unit to ensure compliance with the relevant air quality standards	• Provide a warranty period of three years • Work with property managers to record all defects found within the warranty period • Conduct a survey six months after delivery and prepare a survey report. Conduct a statistical analysis of existing defects and come up with a systematic solution

Optimising service quality

By building a platform for service excellence, the Group continues to optimize its service quality and closely examine customer demands. Feng Cheng Property Management under the Group launched "Bauhinia Premier Service" to provide owners with premium services with a more personal touch based on the core values of "prestige, care and peace of mind " and the "Know You Better Than Yourself" service philosophy. The property manager now applies the standards of Bauhinia Premier Service to all aspects of management work, covering landscaping, security, maintenance, public activities and caring initiatives. In 2017, the company strengthened its internal control, external service and communication in furtherance of the Bauhinia Premier Service.

The Group constantly enhances its property management staff's service standards and overall quality through meticulous management. In 2017, Feng Cheng Property Management launched Bauhinia Customer Service Standards, to comprehensively enhance service skills through competitions in theory and practice. To improve employee enthusiasm and customer satisfaction, the company also launched an incentive programme to reward good ideas, encouraging employees to submit sound suggestions on energy and material conservation as well as cooperation among departments.

To better achieve the goal of "Bauhinia P remier Service", a 24-hour hotline to facilitate quick response to emergencies was set up, in addition to the launch of the "Bauhinia Service Ambassador" programme to provide personalised butler services to customers. In 2017, we continued to strengthen the management of site managers. We also actively explored diversified modes of communication to acquire a full understanding of customer demands, improve working methods, and enhance service quality.

OTHER SERVICE QUALITY IMPROVEMENT INITIATIVES IMPLEMENTED BY FENG CHENG PROPERTY MANAGEMENT

Eagle Eye Plan

Key job positions monitored and key job-holders examined for effective implementation of the Bauhinia Customer Service Standards

Bauhinia Cloud Platform

Comprised of an advanced e-service system and 400 customer service centres, with a 24-hour hotline to receive calls from customers seeking rectification and repair work; covering all residential projects

Mystery Visitor

From the perspective of owners' experience, basic conditions are assessed, including vehicular/pedestrian access/exits, public areas, property service centres and parking lots

From the functional perspective of staff, the functions of security, customer service and maintenance teams are assessed

Internal Audit

A Bauhinia grading system and customer service standards newly added

Bauhinia Service Skills Contests

Bauhinia Service Skills Contests organised according to the Bauhinia service standards

Enhancing supply chain management

The Group strictly complies with relevant laws and regulations of the state in the implementation of green construction, resource conservation and environmental protection. It has established a green construction management system based on the Green Construction Code for Building Projects (GB/T 50905-2014), focusing on the management of construction partners and the creation of a green value chain by integrating the operations of upstream and downstream partners.

The Group has developed Shui On's Fundamental Construction Work Requirements – HSE Chapter and Shui On's Standard Material and Workmanship Requirements to help manage waste water, waste gas, solid waste and other effluents generated during construction. This initiative supports the Group's efforts in improving environmental performance during the construction process through setting goals, implementing control measures, supervising and inspecting works, and constantly improving the closed-loop working mechanism.

While working towards its own sustainable development, the Group also cares about enhancing the sustainability of its suppliers. The Group has formulated the Corporate Green Purchasing Guidelines, incorporating the concept of green purchase into the procurement process and as part of the requirements for suppliers. For supplier management, the Group actively identifies and evaluates suppliers' potential exposure to social responsibility risks, which are actively managed through proactive measures. The Group has established a supplier evaluation management system, with well-defined supplier requirements in respect of labour as well as health, safety and environment. Supplier management has also been strengthened through daily assessments, on-site inspections and random checks on plant and machinery. Compliance is verified during each internal audit to ensure that the requirements of the relevant measures have been met. In 2017, the Group was supported by 966 active suppliers in mainland China, with the addition of 128 new suppliers / contractors during the year.

Green construction management measures

Preliminary stage

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

Middle stage

Waste water treatment: Sewage produced in the construction process shall not be discharged into the municipal drainage network before undergoing second-grade sedimentation.

Dust pollution prevention and treatment: Construction sites must have hard surface paving and be landscaped. Construction vehicles must be washed clean before being allowed to leave the construction site.

Noise control: Reduce hours of night-time construction.

Treatment of solid wastes: Wastes should be sorted for storage and recycling. Generally, recyclable solid wastes are collected by recyclers, whereas unrecyclable solid wastes are collected by the government office of environment and sanitation for disposal. Dangerous solid wastes are subject to disposal by a local qualified solid waste disposal centre. Burning of hazardous waste is forbidden on the construction site.

Late stage

Recycling and reuse: Recyclable materials required to meet a set percentage of total material costs; solid wastes are recycled.

Resources conservation: Power-saving measures adopted; foundation pit dewatering measures implemented; office consumables recycled.

COMMUNITY PROSPERITY

Abiding by the brand promises of "innovation ·quality ·excellence", the Group is committed to building mixed-use communities by integrating "Live-Work-Play-Study" with spaces and atmospheres characterised by trendiness, diversity, environmental awareness, health, art and culture, vitality, innovation and loving care. The Group is also devoted to improving and enhancing the integrated value of communities and addressing different human needs at the material, spiritual and emotional levels.

In 2017, the Group reshaped industry dynamics by integrating its cutting-edge resources to promote consumer upgrades and incorporate the health element into community operations to advocate and demonstrate a healthy lifestyle. It has also introduced first-class arts and cultural resources from home and abroad to cultivate urban spirit, while arousing awareness of social good in the Group and beyond so as to enable more social groups to share the fruits of community prosperity and social progress.

MEETING DIVERSIFIED CONSUMER NEEDS

The Group fully leverages its strength in creating unique open spaces and diversified trade mixes. To address the diverse and segmented consumer demands resulting from a highly differentiated community, we develop customised business plans, adjust commercial dynamics and introduce brands that are not only newer and more unique, but also more internationally-renowned and more attuned to the emerging trends of local markets. We have also organised various themed exhibitions and events for a number of well-known IP (Intellectual Property) to provide consumers with an abundance of innovative scene experiences and meet their personalised lifestyle needs.

RUIHONG TIANDI HALL OF THE MOON

LIFE • MUSIC • HOME

- **Brand Positioning**

  Establish a brand for "musical entertainment" and offer brand-new arts and cultural experiences to enable each consumer to enjoy life and music.

- **Business Dynamics**

  Introduce Modern Sky's first store in Shanghai, live music bars, music-themed restaurants and studios and increase the percentage of F&B outlets in the tenant mix.

- **Life Experiences**

  Develop a rich programme of music-oriented cultural activities, including 2017 World Music Shanghai, Modern Times and "Summer" Sway to provide consumers with musical entertainment and recreational experience.

WUHAN TIANDI HORIZON

INTERNATIONAL FASHION

Brand Positioning

Wuhan's first experiential shopping centre that creates a new shopping paradigm of "experiential consumption" in a high-end, trendy commercial complex of international stature.

Business Dynamics

Focused on brands entering Wuhan or the Chinese market for the first time, with the introduction of Korean-based "zoo lung zoo lung"'s first indoor animal park in China, international fashion boutiques as well as first-class catering and entertainment brands.

Life Experiences

Brand activities, IP exhibitions, arts and cultural shows, and international fashion fairs are staged all year round, including Warner Looney Tunes "One Fun Park" and the exhibition of winning entries in D&AD Awards, to bring about new, international fashion experiences.

KIC UNIVERSITY AVENUE

INNOVATION & ENTREPRENEURSHIP

Brand Positioning

A knowledge community integrating "Work-Study-Play-Entertainment" with a vibrant & innovative cultural atmosphere under the development concept of "innovation, entrepreneurship and LOHAS".

Business Dynamics

Focused on light refreshment (from coffee shops and other establishments) and supported by retail operations, with a collection of specialty stores like creative stores, fashion bookstores and image stores. University Avenue • Next Station carrying the theme of travel was launched in 2017 to further enrich the University Avenue portfolio.

Life Experiences

A rich programme of innovation, entrepreneurship and LOHAS activities, including a wager game and an installation art exhibition "Loving Circus" featuring Daodao Dog comics.

LEADING A GREEN AND HEALTHY LIFE

The Group promotes a green and healthy lifestyle by organising a variety of community-level health activities, such as forums and fairs on healthy foods and fashionable fitness parties, to create green public spaces and encourage interpersonal communications in the community.

In 2017, to promote healthy diet nationwide, the inaugural Tiandi Restaurant Week was launched across the Group's seven major developments, featuring three thematic events including the "Food Talk" Forum, charity programme "Re-PIZZA", and "Tiandi Table".

"Food Talk"Forum

- Themed on "City and Food–Beauty of a Sustainable Life"
- Promoting new-epicurism as a sustainable healthy food trend

In the summer of 2017, the Group joined hands with sports brand Adidas in launching the "Summer Power · 2017 Xintiandi Summer Exercise Carnival" to arouse people's interest in sports and encourage them to lead a positive and healthy lifestyle.

Summer Power · 2017 Xintiandi Summer Exercise Carnival

- Setting up an activity area of 4,500m^2 in the Taipingqiao artificial lake
- Organising an outdoor yoga class with 100 participants as well as basketball, rock climbing and shooting events
- Creating an unprecedented event experience of the latest fitness trend

Developed from abandoned public land, Knowledge & Innovation Community Garden (KIC Garden) is Shanghai's first open block community garden where various green activities are carried out. In December 2017, the opening ceremony of "Rekindling Warmth of City" – a charitable tulip-planting activity, was held in KIC Garden, allowing local citizens to participate in the creation and beautification of the city's public spaces.

The Group also organised an innovative parent-child carnival "KIC KIDS EXPO" under the theme of "Be a zero-waste happy kid" in KIC to lead the younger generation to cultivate environmental awareness and a green lifestyle.

Purpose-designed "Zero Waste" arch by Canadian installation artists

Interactive parent-child games based on five values of virtue, intelligence, physical well-being , mental wellness and community service

INNOVATIVE ARTISTIC AND HUMANISTIC EXPERIENCES

In persistent pursuit of art and culture as well as humanistic spirit, the Group seeks to immaculately create innovative public spaces integrating life experiences, artistic perceptions and cutting-edge culture through a variety of quality arts and cultural programmes to meet people's demands for urban life on a deeper spiritual level.

"LUMIÈRES SHANGHAI", a brand of public art created by the Group, was introduced into Shanghai for the first time in 2015 with a leading-edge, unique feast of lumia art showcasing pieces of public art and large-scale lighting installations. In 2017, the Group, through its four major developments in Shanghai, presented more than 10 lumia artworks from five countries, with a world-class light show to support Shanghai's commercial art circles. "2017 LUMIÈRES SHANGHAI" won the Shanghai Daily's "2017 IDEAL Shanghai – Best Art Project". Through this event, THE HUB also received the gold award for marketing in the "2017 ICSC China Shopping Centre & Retailer Awards" organised by the International Council of Shopping Centres.

Ruihong Tiandi: TeamLab Crystal Fireworks

- TeamLab's first major outdoor art project in China
- Visitors could light fireworks by scanning a QR code

Shanghai Xintiandi: Christmas Dreamland

- An "immersive interactive playground" with a festive atmosphere
- Equipped with spiralling slides and a pool of ocean-balls
- Visitors could light up art installations by touching a tree "trunk"

THE HUB: A product series and LUMIÈRES SHANGHAI Forum

- Featuring 1.26, a large-scale floating lighting artwork
- Artists and the general public are invited to share the wonders of "light" at the LUMIÈRES SHANGHAI Forum

For the project, Italian mural artist Millo was invited to customize a series of wall mural artworks for – University Avenue and THE HUB, matching their colours and elements with surrounding buildings to become part of the city's ambience. In the process, the cityscape was altered to add a touch of new colour to the city. The 46-m-high artwork at the intersection of – University Avenue and Wei De Road currently stands as Asia's highest wall mural.

Asia's highest wall mural on University Avenue

GATHERING THE POWER OF LOVE IN SOCIETY

Caring for the underprivileged, the Group has partnered with public welfare organisations and institutions to run projects in support of worthy causes. Our employees are encouraged to take advantage of "Volunteer Day", a paid holiday, to actively take part in volunteer service to show their care and love and contribute to the building of a harmonious and caring community.

In 2017, adhering to the volunteer spirit of "working together, helping each other, contributing to society and growing together", Shui On Seagull Club launched activities themed on "helping students and the elderly", involving 285 volunteers who clocked up service hours of up to 552 hours. Charitable donations totalling RMB90,000 were collected from the employees in 2017, compared with an amount of RMB1,740,000 donated by the Group.

On 16 September, volunteers of Feng Cheng Property Management in Shanghai participated in "Ride In Red", a green bike ride for charity

On 18 November, the Seagull Club in Shanghai participated in the "KFoundation Run for Love", raising funds for needy students and medical treatment

In 2017, Lakeville, one of the Group's property developments, teamed up with Luwan Special School affiliated to East China Normal University to launch "Lakeville Love", a series of charity programmes with artists, media professionals and property owners involved as volunteers to show love to children with special needs and in want of care.

On 17 November, more than 80 volunteers painted with children on a 6-m-long piece of drawing paper to share their inner world through art

On 16 December, volunteers from Lakeville drew Christmas cards and packed Christmas gifts for children

On 22 December, volunteers celebrated Christmas with children by watching the movie Coco together

TALENT DEVELOPMENT

Based on its belief that "human resources are our most important asset", the Group provides employees with an environment conducive to building strengths and careers amid a deep-rooted corporate culture underlined by shared values. The Group also pays special attention to the cultivation of social talents. In recent years, we have continued with our efforts to cultivate innovators and entrepreneurs, build knowledge communities, improve the service system "INNOSPACE+" for innovation and entrepreneurship, contribute to the innovative transformation of cities, and support the state's innovation strategy.

In 2017, the Group continued to strengthen efforts to protect employee rights and interests. A sound training system was established for building a stronger team to fully safeguard and promote the Group's strategic goals. We promote cooperation between schools and companies, develop entrepreneurship courses. Moreover, the Group cultivate innovative talents specialising in philanthropy in partnership with the China Foundation for Disabled Persons to accelerate the professional development of philanthropy.

SUPPORTING STAFF DEVELOPMENT

Employees are one of the driving forces behind a corporation's sustainable development. We have formulated comprehensive policies governing staff benefits, compensation, equal opportunities and diversity. Our employees are provided with abundant training and growth opportunities as we deliver on our commitment to building a safe, healthy and friendly working environment.

Protecting employees' fundamental interests

In strict compliance with the Labour Contract Law of the People's Republic of China and other laws and regulations, the Group has put in place the management systems and standards required to ensure equal employment, eradicate child labour, and protect employees' legal rights and interests. We promote a diversified cultural landscape, respect individual differences and female staff, and provide employees with equal opportunities for development and promotion regardless of gender, age, nationality and ethnicity.

MEASURES ADOPTED BY SHUI ON TO PROTECT EMPLOYEE INTERESTS

Equal employment

- Committed to equal employment
- All forms of discrimination in the workplace forbidden
- Employment of child labour and forced labour prohibited
- 100% signing rate of permanent employees' labour contracts

Comprehensive fringe benefits

- Paying social insurance contributions for full-time employees
- Equal pay for equal work, regardless of gender
- The salary growth of employees is in line with the company's development

Smooth communications

- Group-wide communications: dialogue with chairman, mentoring, experiential weeks for management to experience life at the grass-roots level of society
- Ongoing communications: WeChat enterprise account "Shui On +", employee activities, internal publication Shui On Spirit, coffee corner for employee communications
- All-round communications: project communication meetings, project communications

Fair promotion

- Opportunities for promotion based on the attitude, capability and performance of individuals

Staff training and development

"Responsibility and life-long learning" is an important element of the Group's corporate culture. Established in 2008, Shui On College plans courses of study from strategic, organisational, team and individual perspectives, to promote transformation of awareness, behaviour and performance. By constantly upgrading and improving its training system, the Group has built up a "change-study-learning" loop for training products based on a top-down approach, covering strategy courses, nationwide training programmes and O2O study courses. The online learning platform "Seagull School", a new initiative launched by Shui On College in 2017, applies the concept of O2O to all courses, contributing to the positive attitude towards continuous learning.

PRODUCT SYSTEM OF SHUI ON COLLEGE

A The Group's Strategy Courses	Designed to build a corporate culture of learning by promoting learning and sharing in the Group with a focus on the Group's business highlights during the year.
B Nationwide Training Programmes	To enhance staff's leadership skills and professionalism. • New Manager Camp • Property Project Manager Camp • Asset Management Camp
C O2O Study Courses	Combining online and offline courses, a new online learning platform "Seagull School" is in place to enhance learning efficiency by breaking spatial-temporal constraints for learners.

Asset Management Camp (AMC) is one of the nationwide training programmes added to the Group in 2017. The first season, bearing the theme of "an interstellar journey to explore asset appreciation", covered three core modules, including large asset management system, financial analysis and business decisions from an asset management perspective, and overall operational management. Combining online and offline operations such as classroom learning, periodic tests, experience sharing, application workshops, field research and micro-class study, the training mode enabled trainees to establish a more comprehensive asset management knowledge system based on a deeper understanding of the Company's asset management strategy, so as to improve the operating efficiency and management capability of commercial projects. This programme won the Leiden Business Academy's International Foresight Award.

As a premier learning programme offered by Shui On College for many years, "New Manager Camp" is well-acclaimed within the company and in the external training market.

DEVELOPMENT PROCESS OF SHUI ON COLLEGE'S "NEW MANAGER CAMP" PROGRAMME

- **2014** Pilot implementation
- **2015** Learning model based on "action learning"
- **2016** "1 + 2 + 3" learning journey design
- **2017** Won Gold Award in the second CSTD National Learning Design Competition

In 2017, the Group provided crisis management training focusing on the procedures for dealing with property owners' complaints and the strategy for resolving conflicts and crises, for employees responsible for handling crises and customer relationships across projects. Through the training, trainees acquired an understanding of the types of crisis common to property projects and crisis response strategies. By analysing real life cases and conducting simulation exercises, trainees were able to consolidate and apply what they had learned in class to improve their communication skills with customers, laying a solid foundation for identifying, preventing and responding to crises in the future.

Advocating a corporate culture of integrity, the Group also conducted training on business ethics for employees. In 2017, the Group launched a succession of online e-learning courseware Procurement – *A Topic on Conduct and Business Ethics* and *Management – A Topic on Conduct and Business Ethics*, requiring new employees to move up from a fundamental study

of introductory chapters to acquire a deeper knowledge of the special topics on conduct and business ethics within 90 days after joining the company.

In addition to establishing a sound training system, the Group has developed career development plans tailored for high-potential employees to help them achieve faster and better development.

EMPLOYEE HEALTH AND SAFETY MANAGEMENT MEASURES

Employee Health and Safety Management Measures

Improving occupational health security system	Established an integrated management system of quality, environment and occupational health and safety. Feng Cheng Property Management obtained OHSAS 18001 certification • Providing medical insurance coverage • Organising physical examinations
Creating a safe and comfortable work environment	• The level of PM2.5 in offices announced on a daily basis • More filters installed on air conditioners • Additional air purifiers installed for crowded places • In-house gyms and facilities

Employee health and safety

The physical and mental health of employees has long been a concern for the Group. We have established an integrated quality, environment and occupational health and safety management system according to national requirements. We also continue to identify and eliminate potential safety and health risks in the workplace, by issuing protective gear to staff holding special jobs, formulating safety operating procedures and other rules and regulations related to safety and health, to create a safe and comfortable work environment for employees.

In 2017, Feng Cheng Property Management carried out retrofit work on the wind circulation system at its underground office to improve indoor air quality. In light of their operating conditions and the special requirements of their staff, Shui On Construction and Pat Davie under the Group have developed well-defined job descriptions, with skills training, management training and related appraisals conducted on a centralised basis across all job positions to improve the technical skills and safety awareness of staff. The Group has also been advocating and helping staff to achieve work-life balance, entitling employees to statutory holidays and extra annual leave. In 2017, we also held recreational activities including the Shui On Cup Football Match and Golden Autumn Garden Party to enrich the life of employees.

CULTIVATING SOCIAL TALENTS

The Group is committed to cultivating social talents for innovation and entrepreneurship. In 2017, the Group sought to develop a talent pool to drive urban transformation and innovative development by continuously optimizing the operation and management of "knowledge communities" and community activities, improving its "innovation ecosystem", upgrading its business incubator platform, expanding the resources for development of entrepreneurs and promoting cooperation with universities on "entrepreneurship and innovation courses". Meanwhile, the Group also contributed to the professional development of the charity sector through positive efforts to cultivate talents specialising in charity.

Improving the ecosystem of innovation and entrepreneurship

INNOSPACE+ is a total-factor and one-stop entrepreneurial community built by the Group in Yangpu KIC, which provides a multitude of functional services including IPOclub start-up café, InnoSpace incubator platform, InnoMaker hardware innovation space, InnoWork co-working space, and InnoLive entrepreneurial apartments. Meanwhile, to help entrepreneurs better incubate their business, INNOSPACE+ also launched "Start-up Accelerator – International Entrepreneurship Training Camp" and "Angel Fund – Yinuo Venture Capital". With the commissioning of InnoLive entrepreneurial apartments in 2017, INNOSPACE+ has developed a complete entrepreneurship ecosystem.

INNOSPACE+ provides entrepreneurs with good entrepreneurial experience and an efficient entrepreneurial environment, enabling them to focus on their own professional fields and refining their own products with great care so as to realize their dreams faster. Well-attuned to the needs of entrepreneurs, INNOSPACE+ fully leverages the advantages of a one-stop entrepreneurial community.

After five years of operation, INNOSPACE+ has successfully incubated and supported more than 500 entrepreneurship programmes. The InnoSpace International Entrepreneurship Training Camp under INNOSPACE+ has been successfully held eight times, helping over 80 excellent programmes grow faster. At the "5th Anniversary Celebration – Sharing of Selected Entrepreneurship Programmes" organised by INNOSPACE+ in December 2017, 19 founders of quality entrepreneurship programmes were invited to share their hardships, gains, experiences and lessons on their way to success. INNOSPACE+ also worked with its strategic partner to hold the "Innovation Training Camp" for alumni entrepreneurs and investors as a co-creation workshop that truly connects entrepreneurs with investors.

InnoLive entrepreneurial apartments came into service in 2017

INNOSPACE+ PROVIDES ENTREPRENEURS WITH ONE-STOP ENTREPRENEURIAL SERVICE

InnoWork Co-working

Providing entrepreneurs with a clean and comfortable office environment. Open-plan offices and independent offices are also available for entrepreneurs to choose from based on actual circumstances

InnoSpace Incubation Platform

Providing entrepreneurs with caring services ranging from basic business registration, human resources, financial custody and legal consultation to development support, entrepreneurship courses, financing docking, etc.

IPOclub Start-up Café

Carrying out diverse activities for sharing entrepreneurial experiences every day to help entrepreneurs take advantage of start-up opportunities through learning and working with others

InnoMaker Innovation Space

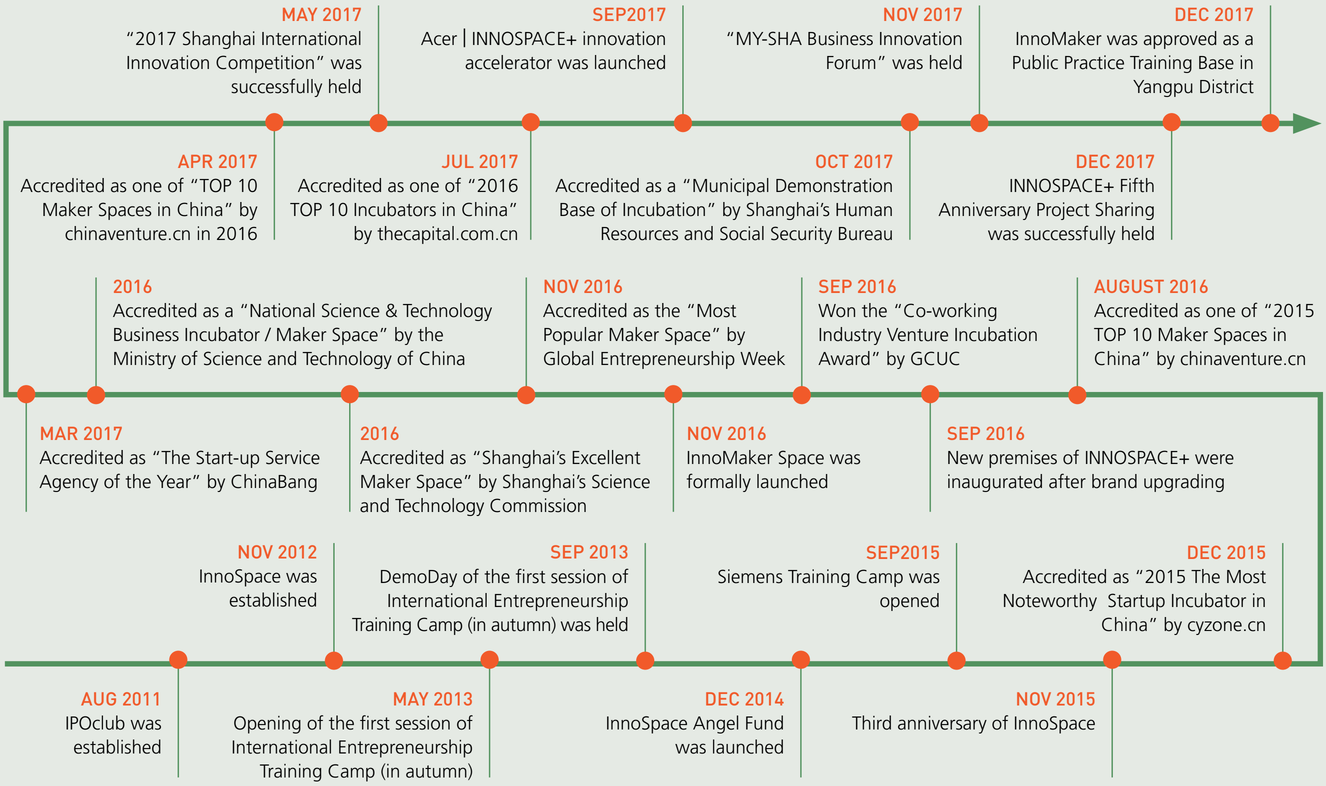
Providing venues, workbenches, supplies and tools to make the flow of ideas and creative juices freer and less restrictive

InnoLive Entrepreneurial Apartments

Creating a heart-warming living environment for entrepreneurs

In 2017, the Acer|INNOSPACE+ innovation accelerator, a joint initiative between INNOSPACE+ and tech company Acer, was inaugurated at Building 1 of THE HUB in Shanghai. Located at the Hongqiao CBD and focusing on the innovative development of the Yangtze River Delta, this programme has developed an "Incubation Platform for Vertical Industries of Intelligent Equipment" and an "Open and Innovation Platform for Multinationals" funded by early-stage venture capital from home and abroad, so as to promote the transfer and transformation of scientific and technological achievements in the Yangtze River Delta region. In the future, the Acer | INNOSPACE+ innovation accelerator will make the best of a "one-hour economic circle" centred on Shanghai and connected by high-speed railway to build a "Yangtze River Delta Innovation Centre", a base for makers creators, innovators and entrepreneurs that brings together innovation resources, venture capital, entrepreneurial services and innovative atmosphere.

FIVE-YEAR ROADMAP FOR THE DEVELOPMENT OF INNOSPACE+



Offering innovation and entrepreneurship courses based on university-enterprise cooperation

Shui On Land actively promotes cooperation and exchange between universities and companies by pooling their respective strengths to realise knowledge sharing, help universities cultivate talents more responsive to social and practical needs, and create a positive mechanism that supports joint efforts in talent development. Since 2011, the Group has, together with the School of Management of Fudan University, developed China's first innovation and entrepreneurship course for university students to gain entrepreneurial experiences in addition to providing theoretical guidance and opportunities to share hands-on experiences among young people. In October 2017, the Group concluded another agreement on an MBA programme with the School of Management of Fudan University to participate in the "2018 Fudan MBA Business Consulting Lab" project and applied for joining the Fudan-MIT 'China Lab' Business Consulting Programme under this project. The programme is focused on the educational concept of "knowledge application and practical learning", with the objective of providing Fudan's MBA students with a training platform combining management theory and business practice to completely improve the MBA students' ability to apply management knowledge in an all-round way. Based on the evolving needs of INNOSPACE+ with an eye on its future development, the consulting and practice programme is a customised project for MBA students to create a win-win outcome for talent training and corporate development through conducting topical research, analysing practical problems and generating solutions.

UNIVERSITY-ENTERPRISE COOPERATION AND EXCHANGE

- **2011** Developed China's first innovation and entrepreneurship courses for college students featuring a well-structured, rich and extensive curriculum in partnership with the School of Management of Fudan University
- **2015** Opened up parts of the "entrepreneurship and innovation courses" to college students across the country.The courses are now part of the quality courses provided through the Group's open learning platform
- **2016** Developed Fudan MBA Consulting Practice Project in partnership with Fudan University
- **2017** Concluded an agreement on an MBA programme with Fudan University to participate in the "2018 Fudan MBA Business Consulting Lab" project

Cultivation of talents in charity

Mr Vincent H.S.Lo, Shui On Group Chairman and a director of the China Foundation for Disabled Persons (hereinafter referred to as "CFDP"), has a long-standing interest in and concern for the well-being of people with disabilities. In 2013, Mr Lo entered into a donation agreement with CFDP on behalf of Shui On Land to launch a training programme to improve the leadership and execution skills of charitable institutions, in an effort to cultivate all-round talents more attuned to the evolving charity scene for CFDP and a number of provincial and municipal foundations for disabled persons. The initiative aims to improve the management, organisational, governance and execution skills of charitable organisations as well as their fund-raising and operational capabilities.

Since 2013, this programme has successively organised fact-finding trips for the mid-level and senior managers of CFDP and disabled persons' federations and foundations from 25 provinces, regions and cities. Through these visits to developed countries and regions, the executives have learned about the history of local social security and welfare, existing laws, regulations and policies, social insurance systems, and innovative ideas in social service delivery, among others. Armed with this knowledge and their own hands-on experiences, the executives have identified a new management philosophy attuned to the emerging situation so as to improve the organisational and execution skills and also the fund-raising and operational capabilities of their charitable organisations. This programme has broadened the professional horizons of charity workers working with the disabled, added to the capacity building efforts of talents involved in charitable work, and provided human resources support and assurance for the development of charitable organisations for the disabled. At the same time, the programme has played an active role in the improvement of CFDP's integrated strengths.

ABOUT THIS REPORT

This is the 2017 Environmental, Social and Governance Report published by Shui On Land Limited for disclosure of the Group's policies, processes, implementation and

performance in corporate social responsibilities in respect of the environment, society and governance to stakeholders and sharing of the innovative initiatives and successes of the

three major components of Group's CSR DNA – sustainability, community prosperity and talent development – in the promotion of the renewal of cities, improvement of the environment and advancement of society. For the second time, the Environmental, Social and Governance Report is released concurrently with the Annual Report of the Company.

BASIS OF PREPARATION

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

SCOPE OF THE REPORT

Organisational Scope: Shui On Land Limited is the subject of this chapter, which includes two subsidiaries, namely China Xintiandi Co. Ltd. and Shanghai Feng Cheng Property Management Co., Ltd., while some chapters involve Shui On Construction Co., Ltd. and Pat Davie (China) Limited. For the convenience of expression and reading, Shui On Land Limited is also referred to as "Shui On Land, "the Group", "the Company" or "we". China Xintiandi Co. Ltd. is referred to as "CXTD", Shanghai Feng Cheng Property Management Co., Ltd. as "Feng Cheng Property Management", while Shui On Construction Co., Ltd. and Pat Davie (China) Limited are referred to as "Shui On Construction" and "Pat Davie" respectively. As the Group disposed of its interest in Dalian Tiandi in 2017, the disclosure of environmental performance in this report does not cover this project.

Reporting Period: 1 January 2017 to 31 December 2017.

Report Cycle: This is an annual report.

NOTES ON THE DATA

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

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

2017 KEY PERFORMANCE TABLE

ENVIRONMENTAL PERFORMANCE

INDICATOR		UNIT	GROUP'S TOTAL AMOUNT 2017	GROUP'S TOTAL AMOUNT 2016	TAIPINGQIAO 2017	RUI HONG XIN CHENG 2017	KIC 2017	THE HUB 2017	CHONGQING TIANDI 2017	WUHAN TIANDI 2017	FOSHAN LINGNAN TIANDI 2017
EMISSIONS											
Diesel consumption		Ton	**13204.14**	\	1648.80	0.00	3113.22	5478.12	600.00	0.00	2364.00
Gasoline consumption		Ton	**91639.02**	\	46855.55	10349.24	10300.24	0.00	11940.96	12193.03	0.00
Sulphide emissions from diesel		Ton	**0.21**	\	0.03	0.00	0.05	0.09	0.01	0.00	0.04
Sulphide emissions from gasoline		Ton	**1.35**	\	0.69	0.15	0.15	0.00	0.18	0.18	0.00
Total sulphide emissions		Ton	**1.56**	\	0.72	0.15	0.20	0.09	0.19	0.18	0.04
GREENHOUSE GAS EMISSIONS											
Scope 1: Direct emissions of greenhouse gas		tCO_2 equivalent	**8066.06**	6233.00	669.43	2282.26	504.03	1615.61	1939.20	1049.24	6.30
Scope 2: Indirect emissions of greenhouse gas		tCO_2 equivalent	**100776.42**	92301.00	12311.61	11980.60	5824.16	17547.29	14020.80	21647.70	17444.26
Greenhouse gas emissions (Scope 1 and 2)		tCO_2 equivalent	**108842.48**	98534.00	12981.04	14262.86	6328.19	19162.90	15960.00	22696.94	17450.56
Floor area		m^2	**1669531.85**	1449029.41	140151.70	176226.10	120017.74	335644.50	308023.11	263281.20	326187.50
Greenhouse gas emissions per thousand square metres of floor area (Scope 1 and 2)		tCO_2 equivalent/ m^2	**65.19**	68.00	92.62	80.94	52.73	57.09	51.81	86.21	53.50
NON-HAZARDOUS WASTE											
Total volume of construction waste		Ton	**50877.23**	49000.00	6072.68	11690.00	10125.00	2340.00	10409.00	5774.68	4465.87
Total discharge of household garbage		Ton	**52050.85**	28829.00	3081.00	9151.70	7499.00	1423.50	9307.50	13184.25	8403.90
Total discharge of non-hazardous waste		Ton	**102928.08**	77829.00	9153.68	20841.70	17624.00	3763.50	19716.50	18958.93	12869.77
Discharge density of non-hazardous waste		Ton/m^2	**61.65**	53.71	65.31	118.27	146.84	11.21	64.01	72.01	39.46
ENERGY CONSUMPTION											
Direct energy consumption	Diesel	MWh	**131.42**	104.00	16.41	0.00	30.99	54.52	5.97	0.00	23.53
	Gasoline	MWh	**800.41**	975.00	409.25	90.39	89.97	0.00	104.30	106.50	0.00
	Total direct energy consumption	MWh	**931.83**	1079.00	425.66	90.39	120.95	54.52	110.27	106.50	23.53
Indirect energy consumption	Natural gas	MWh	**22549.08**	13399.00	214.46	6121.20	1314.38	7572.94	7326.11	0.00	0.00
	Power purchase	MWh	**99392.54**	88858.00	15187.52	13643.41	5989.47	17461.26	14735.47	17495.23	14880.18
	Total indirect energy consumption	MWh	**121941.63**	102257.00	15401.98	19764.60	7303.84	25034.20	22061.58	17495.23	14880.18
Total energy consumption		MWh	**122873.45**	103335.00	15827.64	19855.00	7424.80	25088.73	22171.85	17601.73	14903.71
Energy consumption density		MWh/m^2	**73.60**	71.00	112.93	112.67	61.86	74.75	71.98	66.86	45.69
WATER CONSUMPTION											
Total water consumption		Ton	**1108572.75**	807545.00	125806.10	180918.50	54647.90	327976.06	117811.00	232255.19	69158.00
Water consumption density		Ton/m^2	**664.00**	557.00	897.64	1026.63	455.33	977.15	382.47	882.16	212.02
Sewage discharge		Ton	**997715.47**	726791.00	113225.49	162826.65	49183.11	295178.45	106029.90	209029.67	62242.20

Remarks:

1. The Group was not aware of any confirmed violations or complaints related to environmental protection which may have a significant impact on the Group in 2017.
2. As Dalian Tiandi was sold in 2017, the environmental performance in the year does not include data on this project.
3. Emissions targets were first revealed in 2017 and efforts will continue to improve the disclosure and management of the relevant data.
4. The data on greenhouse gas emissions are listed as carbon dioxide equivalents and have been verified by a third party.
5. Direct energy consumption refers to consumption by the sites owned or controlled by the Group. Indirect energy consumption refers to consumption of energy purchased or acquired by the Group.
6. The energy consumption is calculated based on the consumption of electricity and fuel as well as the relevant coefficients provided in the *General Principles for Calculation of Comprehensive Energy Consumption* (GB/T2589-2008).
7. The consumption of diesel and gasoline includes the total consumption of the fuels for keeping vehicles and other mechanical equipment in operation.
8. The statistical data on construction waste include but are not limited to the total discharge of concrete, construction scrap metal, cables, plastics, and demolition waste. The statistical data on household garbage include but are not limited to the total volume of waste paper, waste edible oil, household garbage and kitchen waste generated. The total volume of waste in 2017 increased from 2016 due to the addition of nine building projects.

SOCIAL PERFORMANCE

MEASURE	UNIT	THE GROUP'S PERFORMANCE IN 2017	THE GROUP'S PERFORMANCE IN 2016
EMPLOYMENT			
Total number of employees	Person(s)	3199	3309
By gender:			
Total number of male employees	Person(s)	1746	1829
Total number of female employees	Person(s)	1453	1480
By age:			
Total number of employees aged > 50	Person(s)	389	374
Total number of employees aged 30 to 50	Person(s)	2160	2117
Total number of employees aged < 30	Person(s)	650	818
By employment type:			
Under labour contract	Person(s)	3098	3191
Under labour service agreement	Person(s)	91	/
Others	Person(s)	10 (disabled persons)	/
Employee turnover rate	%	30.34%	28.79%
By gender:			
Turnover rate of male employees	%	34.71%	28.51%
Turnover rate of female employees	%	27.43%	30.06%
By age:			
Turnover rate of employees aged > 50	%	23.16%	26.70%
Turnover rate of employees aged 30 to 50	%	26.79%	27.28%
Turnover rate of employees aged < 30	%	44.24%	35.54%
HEALTH AND SAFETY			
Number of work-related fatalities	Person(s)	0	0
Lost days due to work injuries	Day(s)	883	1067
Coverage rate of medical examination of employees	%	90%	91%
DEVELOPMENT AND TRAINING			
Percentage of male employees trained	%	87%	79%
Percentage of female employees trained	%	73%	65%
Percentage of general employees trained	%	84%	89%
Percentage of middle management trained	%	72%	90%
Percentage of senior management trained	%	81%	76%
Average hours of training per each employee every year	Hour	15.51	18
Average hours of training per each male employee every year	Hour	17.14	21
Average hours for receiving training per each female employee every year	Hour	13.27	16
Average hours of training per each general employee	Hour	15.19	18
Average hours of training per each middle manager	Hour	16.23	27
Average hours of training per each senior manager	Hour	16.38	17
PRODUCTS AND SERVICES			
Overall customer satisfaction of the properties	Score	93.38	93.6
Residential customer satisfaction	Score	93.35	92.7
Office building customer satisfaction	Score	94.9	95.8
Shopping mall customer satisfaction	Score	91.9	92.4

Notes:

1. The Company underwent some consolidation, stripping and merger activities due to business needs, resulting in a fluctuation in the staff turnover rate in 2017.
2. There were no confirmed violations or complaints concerning human rights or labour practices which may have a significant impact on the Company in 2017.
3. The Group was not aware of any non-conformances concerning health, advertising, labelling and privacy matters which may have a significant impact on the Group in 2017.
4. The Group was not aware of any breach of customer privacy or loss of customer data and had not received any such complaint in 2017.
5. The Group was not aware of any significant negative impact, real or potential, caused by its major suppliers on business ethics, environmental protection, human rights and labour practices, or any non-conformance on human rights issues in 2017.
6. There were no significant risks associated with bribery in 2017.
7. There were no confirmed incidents of corruption concerning the Company or open court proceedings over corruption charges against the Company/its employee in 2017.
8. There were no confirmed incidents of termination/non-renewal of contracts with partners on grounds of corruption in 2017.

CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ENVIRONMENTAL		
KPI CODE	DESCRIPTIONS	REFERENCE
A1 EMISSIONS		
General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to air and greenhouse gas emissions, discharges into waters and land and generation of hazardous and non-hazardous waste.	Sustainable Development
A1.1	Types of emissions and related emissions data.	2017 Key Performance Table
A1.2	Greenhouse emissions in total (in tons) and, where appropriate, density (e.g. per unit of production volume, per facility).	2017 Key Performance Table
A1.3	Total amount (in unit of ton) and (if applicable) density (if calculated based on each output unit and each facility) of hazardous waste generated.	Not applicable
A1.4	Total volume of non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2017 Key Performance Table
A1.5	Description of measures taken to mitigate emissions and the results achieved.	Sustainable Development
A1.6	Description of the approach to handling hazardous and non-hazardous wastes, initiatives taken to reduce waste generation, and the results achieved.	Sustainable Development 2017 Key Performance Table
A2 USE OF RESOURCES		
General Disclosure	Policy on the efficient use of resources, including energy, water and other raw materials.	Sustainable Development
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (in 1,000 kWh) and intensity (e.g. per unit of production volume, per facility).	2017 Key Performance Table
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	2017 Key Performance Table
A2.3	Description of energy efficiency initiatives and the results achieved.	2017 Key Performance Table
A2.4	Description of any problems in sourcing water that is fit for purpose, water efficiency initiatives and the results achieved.	Sustainable Development
A2.5	Total volume of packaging material used for finished products per ton and, if applicable, per unit of production.	Not applicable
A3: THE ENVIRONMENT AND NATURAL RESOURCES		
General Disclosure	Policy on minimising the issuer's significant impact on the environment and natural resources.	Sustainable Development
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Sustainable Development
SOCIAL		
KPI CODE	DESCRIPTIONS	REFERENCE
B1: EMPLOYMENT		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to compensation and dismissal, recruitment and promotion, working hours, leave, equal opportunity, diversity, anti-discrimination and other benefits and welfare.	Talent development
B1.1	Total workforce by gender, employment type, age group and geographical region.	2017 Key Performance Table
B1.2	Employee turnover rate by gender, age group and geographical region	2017 Key Performance Table
B2: HEALTH AND SAFETY		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to providing a safe working environment and protecting employees from occupational hazards.	Talent Development
B2.1	Number and rate of work-related fatalities	2017 Key Performance Table
B2.2	Lost days due to work injuries.	2017 Key Performance Table
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Talent Development 2017 Key Performance Table

B3: DEVELOPMENT AND TRAINING		
General Disclosure	Policy on improving the knowledge and skills of employees in discharging job duties. Description of training activities.	Sustainable Development Talent Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc).	2017 Key Performance Table
B3.2	Average number of training hours completed per employee by gender and employee category.	2017 Key Performance Table
B4: LABOUR STANDARDS		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to the prevention of child and forced labour.	Talent Development
B4.1	Description of measures taken to review employment practices and avoid child and forced labour.	Talent Development Key Performance Table
B4.2	Description of steps taken to eliminate such practices when identified.	Talent Development
B5: SUPPLY CHAIN MANAGEMENT		
General Disclosure	Policy on managing environmental and social risks of the supply chain.	Sustainable Development
B5.1	Number of suppliers by geographical region.	2017 Key Performance Table
B5.2	Description of practices related to engaging suppliers, the number of suppliers covered by the practices, and how the practices are implemented and monitored.	Sustainable Development
B6: PRODUCT RESPONSIBILITY		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to health and safety, advertising, labelling and privacy matters concerning products and services provided and methods of redress.	Sustainable Development
B6.1	Product recall for safety and health reasons as a percentage of the total number of products sold or delivered.	2017 Key Performance Table
B6.2	Number of product and service related complaints received and how they are dealt with.	Sustainable Development
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable
B6.4	Description of quality assurance process and recall procedures.	Sustainable Development
B6.5	Description of consumer data protection and privacy policy, and how the policy is implemented and monitored.	Sustainable Development
B7: ANTI-CORRUPTION		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with significant implications for the issuer as related to bribery, extortion, fraud and money laundering.	Talent Development
B7.1	Number of concluded legal cases concerning corruption charges brought against the issuer or its employees during the reporting period and the outcomes of the cases.	2017 Key Performance Table
B7.2	Description of preventive measures against corruption and whistle-blowing procedures, and how they are implemented and monitored.	Talent Development
B8: COMMUNITY INVESTMENT		
General Disclosure	Policy on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities reflect the interests of the communities.	Sustainable Development Community Prosperity Talent Development
B8.1	Focus areas of contribution (e.g. education, environmental care, labour demand, health, culture, sports).	Sustainable Development Community Prosperity Talent Development
B8.2	Resources (e.g. money or time) invested in the focus area.	Sustainable Development Community Prosperity Talent Development 2017 Key Performance Table

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Vincent H. S. LO

Mr. Douglas H. H. SUNG

Mr. Frankie Y. L. WONG

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Vincent H. S. LO, GBM, GBS, JP

aged 69, has served as our Chairman since the inception of our Company in February 2004. Mr. Lo leads the Board of Directors in deciding on the Company's direction and to set corporate strategies. Mr. Lo was the Chief Executive Officer of our Company from 2004 to 16 March 2011. He is also the Chairman of the Shui On Group, which he founded in 1971, Chairman of SOCAM Development Limited, a Non-executive Director of Great Eagle Holdings Limited and a Non-executive Director of Hang Seng Bank Limited.

Mr. Lo was awarded the Grand Bauhinia Medal (GBM) in 2017, the Gold Bauhinia Star (GBS) in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region (HKSAR). He was named Businessman of the Year at the Hong Kong Business Awards in 2001, and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2005. Mr. Lo was honoured with "Ernst & Young China Entrepreneur Of The Year 2009" and also, as "Entrepreneur Of The Year 2009" in the China Real Estate Sector. Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector.

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

Mr. Douglas H. H. SUNG

aged 51, is an Executive Director, Managing Director and Chief Financial Officer of the Company. He leads the Finance, Treasury, Legal, Corporate Development, Investor Relations and Mergers & Acquisition departments of the Corporate Office. He also takes lead on investments as well as the investment strategy for the Group. As member of the Executive Committee, Mr. Sung works closely with the other Executive Committee members to enhance the execution capabilities of the Company and explore new business opportunities to grow the Company. He also works with the Board to lead the strategic growth of the Company. Mr. Sung has over 20 years of experience in the Asia real estate industry, ranging from research, capital market, direct investment and fund management. Prior to joining the Company, Mr. Sung was the Managing Director and Head of Real Estate of Verdant Capital Group and the Managing Director and Portfolio Manager of JPMorgan Greater China Property Fund.

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

Sir John R. H. BOND　　Dr. William K. L. FUNG　　Professor Gary C. BIDDLE

NON-EXECUTIVE DIRECTOR:

Mr. Frankie Y. L. WONG

aged 69, was re-designated as a Non-executive Director of the Company on 1 January 2017. He was an Executive Director of the Company from June 2015 to December 2016 and a Non-executive Director of the Company from August 2011 to June 2015. He was a Director of the Company from May 2004 to May 2006 prior to the listing of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2006. Mr. Wong is currently an Executive Director, the Chief Executive Officer and the Chief Financial Officer of SOCAM Development Limited ("SOCAM") which is listed on the Stock Exchange. He was a Non-executive Director of SOCAM from September 2011 to August 2014, Vice Chairman of SOCAM from 1997 to 2004 and from April 2010 to August 2011 and the Chief Executive Officer of SOCAM from July 2004 to March 2010. Mr. Frankie Wong joined the Shui On Group in 1981. He is currently an Executive Director of Shui On Holdings Limited. He is also one of the Trustees of the Shui On Provident and Retirement Scheme. Prior to joining the Shui On Group, Mr. Wong had many years of banking experience with several major international banks in Hong Kong. He graduated with a Bachelor of Science degree in Economics and a Master of Arts degree from the London School of Economics and Political Science and The University of Lancaster in the United Kingdom respectively. Mr. Wong is currently a Non-executive Chairman of Walcom Group Limited, a company listed on the Alternative Investment Market of the London Stock Exchange plc. He was a Non-executive Director of Solomon Systech (International) Limited, which is listed on the Stock Exchange, from February 2004 to December 2006, an Independent Non-executive Director of this Company from January 2007 to May 2014 and a director of Sichuan Shuangma Cement Co., Ltd. (四川雙馬水泥股份有限公司), a company listed on the Shenzhen Stock Exchange, from 18 July 2012 to 11 August 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Sir John R. H. BOND

aged 76, has served as an Independent Non-executive Director of our Company since September 2006. He was previously the Group Chairman of HSBC Holdings plc and was with HSBC from 1961 until May 2006. He was the Chairman of Vodafone Group Plc until 26 July 2011, the Chairman of Xstrata plc until May 2013, an Advisory Director of Northern Trust Corporation until 21 April 2015 and a Non-executive Director of A. P. Moller Maersk until April 2016. Sir John Bond is currently a member of the Mayor of Shanghai's International Business Leaders' Advisory Council and a participant in the China Development Forum.

Dr. William K. L. FUNG, SBS, JP

aged 69, has served as an Independent Non-executive Director of our Company since May 2006. Dr. Fung is the Group Chairman of Li & Fung Limited. He has held key positions in major trade associations. He is past Chairman of the Hong Kong General Chamber of Commerce (1994 – 1996), Hong Kong Exporters' Association (1989 – 1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993 – 2002). He was a Hong Kong Special Administrative Region delegate to the Chinese People's Political Consultative Conference (1998-2003). He has been awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. Dr. Fung graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred Honorary Doctorate degrees of Business Administration by The Hong Kong University of Science and Technology, by The Hong Kong Polytechnic University and by Hong Kong Baptist University. Dr. Fung is an Independent Non-executive Director of VTech Holdings Limited, Sun Hung Kai Properties Limited and The Hongkong and Shanghai

Dr. Roger L. McCARTHY Mr. David J. SHAW Mr. Anthony J. L. NIGHTINGALE

Hotels, Limited. He retired as an Independent Non-executive Director of Singapore Airlines Limited in July 2017. He is also a Non-executive Director of other listed Fung Group companies including Convenience Retail Asia Limited and Trinity Limited, and Chairman and Non-executive director of Global Brands Group Holding Limited.

Professor Gary C. BIDDLE

aged 66, has served as an Independent Non-executive Director of our Company since May 2006. Professor Biddle is Professor of Financial Accounting at University of Melbourne and Visiting Professor at Columbia Business School, University of Hong Kong (HKU), and London Business School. Professor Biddle earned his MBA and PhD degrees at University of Chicago. He previously served as professor at University of Chicago, University of Washington, Hong Kong University of Science and Technology (HKUST), and as visiting professor at China Europe International Business School (China), Fudan University (China), University of Glasgow (UK), IMD (Switzerland), and Skolkovo Business School (Russia). In academic leadership, Professor Biddle served as Dean and Chair Professor at HKU, and as Academic Dean, Department Head, Council member, Court member, Senate member, and Chair Professor at HKUST. He taught the first class and decade of the Kellogg-HKUST EMBA program and co-created the EMBA-Global Asia EMBA program, currently ranked #1 and #2 in the world respectively *(Financial Times)*. Professionally, he is a member of the Financial Reporting Review Panel of the Financial Reporting Council of Hong Kong, AICPA, CPA Australia, and HKICPA. He is Accounting Area Editor for *Journal of International Business Studies*, Book Editor for *The Accounting Review*, and an editorial board member of other premier academic journals. Professor Biddle also has served on the American Accounting Association Executive Board, Accounting Hall of Fame Selection Committee, HKICPA Council, Accreditation and Financial Reporting Standards Committees of HKICPA, Hong Kong Institute of Directors Training Committee, and as President and co-founding Council Member of the Hong Kong Academic Accounting Association. Professor Biddle conducts research on financial and management accounting (teaching both), value creation, economic forecasting, corporate governance and performance metrics, including EVA®. His research appears in leading academic journals and in the financial press including *CNN*, *The Economist*, and *The Wall Street Journal*. He ranks among the top 0.4% in career research citations and recent downloads among all social scientists (*Social Science Research Network*). Professor Biddle has won 30 teaching honours, including three "Professor of Year" awards from the world's top-ranked EMBA programs. Professor Biddle proudly serves as Independent Non-Executive Director and Audit Committee Chair of leading listed companies including Kingdee International Software Group Limited, and has served as remuneration committee chair of closely held Chinachem Group.

Dr. Roger L. McCARTHY

aged 69, has served as an Independent Non-executive Director of our Company since May 2006. Dr. McCarthy is currently the principal of McCarthy Engineering. He was formerly Chairman Emeritus of Exponent, Inc. (NASDAQ symbol "EXPO"). He was also Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou) (毅博科技諮詢（杭州）有限公司), a wholly owned subsidiary of Exponent, Inc., which he founded in 2005 to expand Exponent Inc.'s services to the PRC. Dr. McCarthy holds five academic degrees: an Arts Bachelor (A.B.) in Philosophy and a Bachelor of Science in Mechanical Engineering (B.S.E.M.E.) from the University of Michigan; and an S.M. degree in Mechanical Engineering, the professional degree of Mechanical Engineer (Mech.E.), and a Ph.D. in Mechanical Engineering all from the Massachusetts Institute of Technology ("MIT"). He graduated from the University of Michigan Phi Beta Kappa, summa cum laude, the Outstanding Undergraduate in Mechanical Engineering in 1972. He was a National Science Foundation fellow. In 1992, Dr. McCarthy was appointed by the first President Bush to the President's Commission on the National Medal of Science. Dr. McCarthy is one of approximately 165 US Mechanical Engineers elected to the National Academy of Engineering. He currently serves on MIT's Material Science and Engineering Visiting Committee, External Advisory Board of the Mechanical Engineering Department at the University of Michigan, and the Stanford Materials Science & Engineering Advisory Board. Dr. McCarthy delivered the 2008 commencement address for the University of Michigan's College of Engineering. He is currently a member of the US National Academies Board of Army Science and Technology and the National Academy of Engineering's Finance and Budget Committee.

Mr. David J. SHAW

aged 71, has served as an Independent Non-executive Director of our Company since May 2006. Mr. Shaw acted as the Group Adviser to the Board of HSBC Holdings plc from June 1998 until 30 September 2013 and retired from the HSBC Group in 2015. Mr. Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 until 1998 and during that period spent approximately 20 years working in Hong Kong. Mr. Shaw obtained a law degree from Cambridge University. He is also an Independent Non-executive Director of Kowloon Development Company Limited.

Mr. Anthony J. L. NIGHTINGALE, CMG, SBS, JP

aged 70, has been appointed as an Independent Non-executive Director of our Company since 1 January 2016. He was the Managing Director of Jardine Matheson Holdings Limited. He is currently a non-executive director of Jardine Matheson Holdings Limited and of other Jardine Group companies, including Jardine Strategic Holdings Limited, Jardine Cycle & Carriage Limited, Dairy Farm International Holdings Limited, Hongkong Land Holdings Limited and Mandarin Oriental International Limited. He is also a non-executive Director of Schindler Holding Limited, Prudential plc and Vitasoy International Holdings Limited.

Mr. Nightingale is a commissioner of PT Astra International Tbk., a director of UK ASEAN Business Council, a council member of the Employers' Federation of Hong Kong and chairman of The Sailors Home and Missions to Seamen in Hong Kong. He is the former chairman of the Hong Kong General Chamber of Commerce.

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

SENIOR MANAGEMENT

Ms. Stephanie B. Y. LO

aged 35, is an Executive Director of Shui On Management Limited ("SOM") and the Vice Chairman of China Xintiandi ("CXTD"). She is responsible for the development of CXTD's commercial strategy and project positioning. Ms. Lo oversees market positioning and strategy for Shui On Land projects and Human Resources for SOM. She also assists with the Chairman of Shui On Land in leading the overall development of the Company. She is the daughter of Mr. Vincent H. S. Lo. Ms. Lo joined our Group in August 2012 and has over 14 years of working experience in property development industry in the PRC, architecture and interior design as well as other art enterprises. Prior to joining our Group, Ms. Lo was working for various architecture and design firms in New York City, amongst which was Studio Sofield, a firm well-known for its capability in retail design. She holds a Bachelor of Arts degree in architecture from Wellesley College in Massachusetts. She currently serves as a Member of The Thirteenth Shanghai Committee of Chinese People's Political Consultative Conference and The Seventh Council Member of Shanghai Chinese Overseas Friendship Association.

Ms. Jessica Y. WANG

aged 43, is the Managing Director of SOM and CXTD. Ms. Wang takes lead on land acquisition and property development business of the Group. She joined the Group in August 1997 and has over 23 years of working experience in the property development industry in PRC. Prior to joining the Group, Ms. Wang was engaged in sales & marketing in one of the well-known real estate company. Ms. Wang holds a Bachelor of Engineering degree in Shanghai University of Technology and the Executive Master of Business Administration (EMBA) from Shanghai Fudan University. Ms. Wang is a member of the Standing Committee of People's Congress of Hong Kou District, Shanghai, Chairman of Hong Kou District Association of Enterprises with Foreign Investment, Director and the Director of Commerce Cscg of Shanghai Federation of Industry & Commerce Real Estate Chamber of Commerce and Vice Chairman of Hong Kou District non-Party Intellectuals Association.

Mr. Matthew Q. GUO

aged 43, is currently an Executive Director of SOM. Mr. Guo plays a key role in building our management process and system to better align project development and commercial asset management, corporate functions and projects to ensure efficient execution is in place within the Group. He continues to lead the corporate Admin. Services department, Process and Information Management department, the property development business of the Group in Wuhan, Chongqing and Foshan and the property management business of the

Group. Mr. Guo joined the Group in 1997 and he has over 21 years of working experience in the property development industry in the PRC. Mr. Guo was the Project Director of the Wuhan Tiandi project and was also involved in other projects of the Group including Shanghai Xintiandi, Taipingqiao Park, The Lakeville Phase I and the Yangpu Knowledge and Innovation Community project in Shanghai. Mr. Guo holds a Bachelor's degree in urban planning from the Tongji University.

Mr. TANG Ka Wah

aged 58, is an Executive Director of SOM. He is responsible for managing the corporate procurement, project execution, costing and quality management functions and the management of the business of Shanghai Shui On Construction Co. Ltd. and Pat Davie (China) Limited in the PRC. He joined the Shui On Group in 1985 and has over 32 years of working experience in the construction industry. He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers. Mr. Tang is a chartered engineer. He holds a Bachelor's degree in Engineering from The University of Hong Kong and a Master's degree in Business Administration - E-Commerce from the West Coast Institute of Management & Technology, West Australia.

Mr. Allan B. ZHANG

aged 39, is an Executive Director of SOM. Mr. Zhang takes lead on product development and project management functions as well as the construction business of the Group. He maintains his responsibilities in CXTD Central Leasing - Office and the Knowledge and Innovation Community ("KIC") project. Mr. Zhang joined the Group in 2004 and has over 14 years of working experience in the property development industry in PRC. Prior his present position, Mr. Zhang was the Chief Operating Officer of CXTD. He was involved in various mixed-use city center communities such as Rui Hong Xin Cheng project, Wuhan project, and KIC project. Mr. Zhang has rich experience in property development and commercial asset management in multiple cities in mainland China, of which Wuhan Tiandi is now the landmark in Wuhan after ten years' development, and KIC has been the City-Industry integration and vibrant industrial ecosystem community in Shanghai. Mr. Zhang holds a Bachelor degree and a Master degree in Engineering from Tongji University.

Ms. Rachel Y. Q. LEI

aged 38, is the Director of Corporate Development Department and Asset Management Department. She is responsible for corporate strategy development, business planning and commercial asset management functions. She joined the Group in 2001 and has over 16 years of working experience in the real estate industry in the PRC. Ms. Lei holds a Bachelor's degree in Journalism and a Bachelor's degree in Finance from Shanghai Jiao Tong University.

Mr. UY Kim Lun

aged 54, is Director of Legal Affairs and Company Secretary of our Company. He joined our Company in 2005 and is responsible for the legal, company secretarial, compliance, risk management and business ethics issues of our Company. Mr. Uy holds a Bachelor's degree, with honours, in Laws and a Postgraduate Certificate in Laws from The University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1994. He has over 26 years of post-qualification experience and has worked in the legal departments of several blue-chip companies in Hong Kong before joining our Company.

Mr. Timmy T. M. LEUNG

aged 59, is the Director of Treasury of SOM. He is responsible for the treasury function of the Group. He joined SOM in 2009 and has over 33 years of working experience in financial institutions. Prior to joining SOM, Mr. Leung was the Chief Marketing Officer of Temasek's wholly owned subsidiary, Fullerton Investment Guarantee Company. Mr. Leung completed his Business studies in East China University of Science and Technology in Shanghai. He is the Vice President of Shanghai Huangpu District Federation of Returned Overseas Chinese. Mr. Leung was also a Committee member for Hangzhou Committee of The Chinese People's Political Consultative Conference and Vice President and Head of Finance Group of Hong Kong Chamber of Commerce in China, Shanghai and a Committee member for Shanghai Huangpu District Committee of The Chinese People's Political Consultative Conference.

Mr. Alfred S. S. LAI

aged 57, is Director of Finance of SOM. He joined the Group in 2015 and is currently responsible for the overall finance and taxation functions of SOM. He has over 34 years of working experience in financial management. Before joining the Group, Mr. Lai had worked in SOCAM for years. During that period, he was seconded to Lafarge Shui On Co. Ltd. as Chief Financial Officer. He holds a Bachelor of Science Degree in Economics and MBA Degree from the London School of Economics and Political Science and Heriot-Watt University in the United Kingdom respectively. He is the associate member of The Hong Kong Institute of Certified Public Accountants and the fellow member of The Association of Chartered Certified Accountants, United Kingdom.

Mr. Albert K. B. CHAN

aged 58, is the Director of Development Planning and Design. Mr. Chan joined Shui On in 1997, and has over 30 years of experience in planning, design and real estate development. Mr. Chan manages the conceptualization, site feasibility studies, masterplanning and design of developments for the Company. From 1997 to 2001, he led the planning and design effort for the Shanghai Xintiandi development. He also focuses on mixed-use development, planning and design research and development, and chairs the Sustainable Development Committee of the Company.

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

Mr. Charles K. M. LEE

aged 61, is the Director of Human Resources. He joined the Group in May 2012 and is responsible for Human Resources and Shui On Academy of the Company. Mr. Lee has over 30 years of solid experience in human resources management and has worked in various well-known multi-national corporations in different industries. Mr. Lee holds a Master's degree of Science from The University of Leeds and a Bachelor's degree of Science from the Chinese University of Hong Kong. He also holds an MBA from the City Polytechnic of Hong Kong. Mr. Lee is the Executive Council Member of Huang Pu District Association of Labor Relations and associate member of Hong Kong Institute of Human Resources.

Mr. David P. K. WONG

aged 62, is Chief Economist and Director of Development Research. He is responsible for macroeconomic analysis, city screening, property policy research and leads a team to undertake project feasibility analysis and market trends research. He joined the Group in 1996 and has over 27 years of working experience in the Chinese property markets. Before joining the Group, he was Assistant Chief Economist of Hong Kong Trade Development Council. Mr. Wong holds a Bachelor of Science degree from the University of Minnesota and a Master degree in Economics from the University of California, Berkeley. He is a member of Urban Land Institute and China Strategic Thinkers.

Mr. Alex L. H. WANG

aged 38, is Project Director of Wuhan Project and is responsible for the total development, construction, and operations. Mr. Wang joined the Group in 2003 and has over 15 years of experience in the China real estate industry. Mr. Wang holds a Bachelor of Architecture Degree from Chongqing University. He is currently the Member of Wuhan Municipal Committee of CPPCC. He serves as the Vice President of Wuhan Real Estate Development Industry Association, the Vice President of Wuhan Association of Enterprises with Foreign Investment and the Vice President of Hong Kong Chamber of Commerce in China-Wuhan among his other positions.

Mr. Dave Q. S. CHEN

aged 40, is an Executive Director of CXTD and is responsible for the overall operation and management of CXTD. He takes lead of Shanghai, Wuhan, Foshan and Chongqing projects of CXTD. Mr. Chen holds a Bachelor degree of Economics from Wuhan University and has been working in the commercial property industry in Mainland China for many years. Mr. Chen joined the Group in October 2017. Prior to joining CXTD of Shui On Group, he was Deputy General Manager of Commercial Property Business and General Manager of E-commerce at China Resources Land. He is in particular experienced in commercial complex development and management as well as development of e-commerce platforms.

Ms. Carrie M. J. LIU

aged 39, is the Project Director of Rui Hong Xin Cheng ("RHXC") and the Director of Central Marketing and CRM of CXTD. She is responsible for the overall strategic planning, positioning and development management of the RHXC project, residential sales and commercial asset management. In addition, she is also responsible for the CXTD's corporate marketing, digital marketing and customer relationship management matters. She joined the Group in 2001 and has over 16 years of working experience in the real estate industry. She holds an EMBA degree and Bachelor of International Journalism degree from Fu Dan University and is a member of Shanghai Hong Kou District Political Consultative Committee.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries, associates and joint ventures are set out in Notes 49, 16 and 17 respectively to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the year and the discussions on the Group's future business development are provided in the Chairman's Statement, the Market Updates and Project Profiles, the Business Review, the Landbank and the Financial Review respectively from pages 8 to 10, pages 17 to 40, pages 41 to 50, pages 51 to 52 and pages 53 to 58 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in the Financial Review on pages 53 to 58. Also, the financial risk management objectives and policies of the Group can be found in Notes 45 and 46 to the consolidated financial statements. Particulars of important event affecting the Group that has occurred since the end of the financial year ended 31 December 2017 are provided in Note 44 to the consolidated financial statements. Indications of likely future development in the business of the Company can be found in the Business Review and the Financial Review on pages 41 to 50 and pages 53 to 58. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Review on pages 53 to 58. The discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement, the Corporate Governance Report, the Corporate Social Responsibilities and this Directors' Report on pages 8 to 10, pages 61 to 74, pages 77 to 100 and pages 107 to 120 of this Annual Report and in the Corporate Social Responsibility Report available on the Group's corporate website.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 128.

An interim dividend of HK$0.03 per share was paid to the shareholders on 25 September 2017.

The Board has resolved to recommend the payment of a final dividend of HK$0.07 per share for the year ended 31 December 2017 (2016: HK$0.039), amounting to approximately RMB471 million (2016: RMB270 million) in aggregate. Subject to shareholders' approval of the final dividend at the forthcoming annual general meeting ("AGM") to be held on 16 May 2018, the final dividend is expected to be paid on or about 15 June 2018 to shareholders whose names appear on the register of members of the Company on 1 June 2018.

In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 1 June 2018.

INVESTMENT PROPERTIES

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of share capital of the Company during the year ended 31 December 2017 are set out in Note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as of 31 December 2017 were RMB17,146 million (2016: RMB16,757 million).

DIRECTORS

The Directors of the Company during the year ended 31 December 2017 and up to the date of this report were:

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

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

In accordance with Article 102 of the Articles of Association of the Company (the "Articles of Association"), Mr. Douglas H. H. SUNG, Mr. Frankie Y. L. WONG and Mr. Anthony J. L. NIGHTINGALE will retire from office by rotation at the AGM and, being eligible, will offer themselves for re-election at the AGM.

PERMITTED INDEMNITY

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

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

	Number of ordinary shares			Interests in the underlying shares		
Name of Director	Personal interests	Family interests	Other interests	Share options (Note 3)	Total	Approximate percentage of interests to the issued share capital of the Company (Note 4)
Mr. Vincent H. S. LO	–	1,849,521 (Note 1)	4,611,835,751 (Note 2)	–	4,613,685,272	57.23%
Mr. Douglas H. H. SUNG	–	–	–	437,000	437,000	0.0054%
Sir John R. H. BOND	250,000	–	–	–	250,000	0.003%
Dr. William K. L. FUNG	5,511,456	–	–	–	5,511,456	0.06%
Professor Gary C. BIDDLE	305,381	–	–	–	305,381	0.0038%
Dr. Roger L. McCARTHY	200,000	–	–	–	200,000	0.002%

Notes:

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

(2) These shares were held by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 675,493,996 shares, 1,707,888,889 shares, 183,503,493 shares, 29,847,937 shares, 633,333,333 shares, 908,448,322 shares, 150,000,000 shares and 323,319,781 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI"), Chester International Cayman Limited ("Chester International"), New Rainbow Investments Limited ("NRI"), Lanvic Limited ("Lanvic"), Boswell Limited ("Boswell"), Merchant Treasure Limited ("Merchant Treasure") and Doreturn Limited ("Doreturn") respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure and Doreturn were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited ("SOCAM") which in turn was held by SOCL as to 48.38%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

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

(4) These percentages were compiled based on the total number of issued shares (i.e. 8,061,304,524 shares) of the Company at 31 December 2017.

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

Name of Director	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Mr. Lo	Shui On Development (Holding) Limited	Family interests	US$1,300,000
Sir John R. H. BOND	Shui On Development (Holding) Limited	Personal interests	US$813,000
Mr. Anthony J. L. NIGHTINGALE	Shui On Development (Holding) Limited	Personal interests	US$200,000

Save as disclosed above, at 31 December 2017, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

At 31 December 2017, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity / Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests in the Company (Note 4)
Mrs. Lo	Family and Personal	4,613,685,272 (Notes 1 & 3)	57.23%
HSBC Trustee	Trustee	4,611,835,751 (Notes 2 & 3)	57.21%
Bosrich	Trustee	4,611,835,751 (Notes 2 & 3)	57.21%
SOCL	Interests of Controlled Corporation	4,611,835,751 (Notes 2 & 3)	57.21%

Notes:

(1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,611,835,751 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO as mentioned in Note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 4,611,835,751 shares under Part XV of the SFO.

(2) These shares were held by SOCL through its controlled corporations, comprising 675,493,996 shares, 1,707,888,889 shares, 183,503,493 shares, 29,847,937 shares, 633,333,333 shares, 908,448,322 shares, 150,000,000 shares and 323,319,781 shares held by SOP, SOI, Chester International, NRI, Lanvic, Boswell, Merchant Treasure and Doreturn respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure and Doreturn were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 48.38%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

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

(4) These percentages were compiled based on the total number of issued shares (i.e. 8,061,304,524 shares) of the Company at 31 December 2017.

Save as disclosed above, at 31 December 2017, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

SHARE OPTIONS

The share option scheme of the Company adopted on 8 June 2007 (the "Old Scheme") expired on 7 June 2017 and no further share options can be granted thereunder. However, the rules of the Old Scheme remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the Old Scheme. All outstanding share options granted prior to the expiration of the Old Scheme shall continue to be valid and exercisable in accordance with the rules of the Old Scheme.

A new share option scheme (the "Share Option Scheme") was adopted by the Company on 24 May 2017 and no share option has been granted under the Share Option Scheme since its adoption.

Particulars of the Old Scheme are set out in note 39 to the consolidated financial statements.

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

Name or category of Eligible participants	Date of grant	Exercise price per share HKD	At 1 January 2017	Granted during the period	Exercised during the period	Lapsed during the period	At 31 December 2017	Period during which the share options are exercisable
DIRECTOR								
Mr. Douglas H. H. SUNG	4 July 2016	1.98	437,000	–	–	–	437,000	1 June 2017 – 3 July 2022
SUB-TOTAL			437,000	–	–	–	437,000	
Employees (in aggregate)	2 January 2008	8.27	1,068,828	–	–	(1,068,828)	–	2 January 2010 – 1 January 2017
	1 February 2008	7.42	213,336	–	–	(213,336)	–	1 February 2010 – 31 January 2017
	3 March 2008	7.08	76,429	–	–	(76,429)	–	3 March 2010 – 2 March 2017
	2 May 2008	7.31	1,926,641	–	–	(1,926,641)	–	2 May 2010 – 1 May 2017
	2 June 2008	6.77	4,458,806	–	–	(4,458,806)	–	2 June 2010 – 1 June 2017
	2 July 2008	5.95	86,804	–	–	(86,804)	–	2 July 2010 – 1 July 2017
	4 September 2009	4.52	3,803,331	–	–	(3,803,331)	–	3 November 2010 – 2 November 2017
	18 January 2012	2.41	7,271,261	–	–	–	7,271,261	28 June 2013 – 17 January 2020
	3 September 2012	4.93	2,236,730	–	–	(641,803)	1,594,927	3 October 2012 – 28 October 2018
	3 September 2012	4.93	8,704,397	–	–	(2,587,148)	6,117,249	5 November 2012 – 4 November 2019
	7 July 2015	2.092	5,776,000	–	(100,800)	–	5,675,200	1 June 2016 – 6 July 2021
	4 July 2016	1.98	8,143,000	–	(192,600)	–	7,950,400	1 June 2017 – 3 July 2022
SUB-TOTAL			43,765,563	-	(293,400)	(14,863,126)	28,609,037	
TOTAL			44,202,563	-	(293,400)	(14,863,126)	29,046,037	

SUMMARY OF THE SHARE OPTION SCHEME ARE AS FOLLOWS:

(I) PURPOSE

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

(II) QUALIFYING PARTICIPANTS

The Board may offer to grant an option to any employees as the Remuneration Committee may recommend and the Board may approve; and any non-executive director, consultant, advisor of the Company or its subsidiaries, or service providers and business partners who have or may contribute to the Group as the Chairman may recommend and the Board may approve.

(III) MAXIMUM NUMBER OF SHARES

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the adoption date or 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit exceeded. At 31 December 2017, the number of shares available for issue in respect thereof is 802,663,018 shares.

(IV) LIMIT FOR EACH PARTICIPANT

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

(V) OPTION PERIOD

In respect of any particular option, such time period as the Remuneration Committee may in its absolute discretion determine and specify in relation to any particular grantee in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein) but which shall not, in any circumstances, exceed the period prescribed by the Listing Rules from time to time (which is, at the date of adoption of the Share Option Scheme, a period of ten (10) years from the commencement date of the relevant option).

(VI) ACCEPTANCE AND PAYMENT ON ACCEPTANCE

An offer shall remain open for acceptance by the qualifying participant concerned for a period of 30 days from the date of the offer (or such longer period as the Board may specify in writing). HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. If such remittance is not made upon acceptance, acceptance of an offer shall create a promise by the relevant grantee to pay to the Company HK$1.00 on demand.

(VII) SUBSCRIPTION PRICE

The subscription price in respect of any particular option shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the subscription price reference date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the subscription price reference date; and (iii) the nominal value of a share.

(VIII) REMAINING LIFE OF THE SHARE OPTION SCHEME

The Board shall be entitled at any time within 10 years commencing on 24 May 2017 to make an offer for the grant of an option to any qualifying participants.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENT

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

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF LISTED SECURITIES

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

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

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

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

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

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 61 to 74.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 43 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions of the Company and its subsidiaries during the year under review, certain of which are ongoing.

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

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

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

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

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

An amount of RMB27.7 million was paid and/or is payable by the Richcoast Group to the Dalian Yida Group for the construction services fees during the year under review.

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

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

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

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

An amount of RMB9.3 million was paid and/or is payable by the Group to Top Dynasty and its affiliates for the use of aircraft during the year under review.

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

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

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

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

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

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

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

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

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

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

An amount of RMB9.6 million was paid and/or is payable by the Richcoast Group to the Feng Cheng Group for the property management services during the year under review.

(5) CONDITIONAL DISPOSAL OF 61.54% SHARE INTEREST AND THE RELATED LOANS IN RICHCOAST

On 14 November 2017, Innovate Zone Group Limited ("Innovate Zone") and SODH entered into a sale and purchase agreement (the "SP Agreement") with Many Gain International Limited ("Many Gain") and Yida China Holdings Limited ("Yida China"), pursuant to which (i) Innovate Zone conditionally agreed to sell and procure the sale of, and Many Gain conditionally agreed to acquire the 480 ordinary shares of US$1.00 each in Richcoast (representing 61.54% of the issued share capital of Richcoast), the shareholder's loans due by members of the Richcoast Group outside the PRC to Innovate Zone and the Assignable Onshore Debts; and (ii) Many Gain conditionally agreed to procure the repayment of the Non-Assignable Onshore Debts, for the total consideration for the disposal and the debt repayment amount, being RMB3,160 million (the "Transactions"). Details of the transactions were set out in the announcement of the Company dated 14 November 2017.

On 28 December 2017, Innovate Zone and SODH entered into the Supplemental Agreement to the SP Agreement with Many Gain and Yida China, pursuant to which all the parties agreed to, among other things, extend the Long Stop Date to 31 March 2018 and amend the conditions precedent to the Disposal such that the Group may continue to provide the Related Guarantees if the Related Conditions cannot be fulfilled on or before 31 March 2018. Details of the transactions were set out in the announcement of the Company dated 28 December 2017.

Many Gain is a substantial shareholder of Richcoast, an indirect non-wholly owned subsidiary of the Company, and is therefore a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the Transactions constituted a connected transaction with a connected person at the subsidiary level for the Company.

(6) AWARD OF NANJING PROJECT WORKS

On 14 December 2017, 瑞安建築有限公司 (Shui On Construction Co., Ltd.*) received a confirmation, by way of the Letter of Acceptance, on its engagement by 江蘇九西建設發展有限公司 (Jiangsu Jiu Xi Development Co., Ltd.*) ("Jiangsu Jiu Xi") (an indirect wholly-owned subsidiary of SOCAM, as the main contractor to carry out the Project Works for a total contract sum of approximately RMB34.93 million. Details of the transactions were set out in the announcement of the Company dated 14 December 2017.

Mr. Lo, who is the Chairman and an executive Director of the Company, and his associates are together entitled to control the exercise of more than 30% of the voting power at the general meetings of the Company. Accordingly, Mr. Lo is a connected person of the Company. Mr. Lo, who is also the Chairman and an executive director of SOCAM, and his associates are together entitled to control the exercise of more than 30% of the voting power at the general meetings of SOCAM. Therefore, Jiangsu Jiu Xi, being an indirect wholly-owned subsidiary of SOCAM and hence an associate of Mr. Lo, is a connected person of the Company. As such, the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

(7) DISPOSAL OF 21.4% EQUITY INTEREST IN SHANGHAI RUI HONG XIN CHENG CO., LTD. ("RHXC") REPRESENTING 49.5% OF THE PARTNERSHIP PORTFOLIO

On 19 December 2017, SODH, Hollyfield Holdings Limited ("Hollyfield"), 上海丸晟實業合夥企業（有限合夥）("China Life Fund") and RHXC entered into an investment framework agreement (the "Agreement"), pursuant to which, among other things, the 21.4% of the entire equity interest in RHXC, representing 49.5% of the interest in the Partnership Portfolio (which comprises certain commercial assets in RHXC), would be transferred from Hollyfield to China Life Fund. Details of the transactions were set out in the announcement of the Company dated 19 December 2017.

As 國壽資本投資有限公司 (China Life Capital Investment Co., Ltd.), the fund manager of China Life Fund, is an associate of a connected person of the Company at the subsidiary level, the transactions contemplated under the Agreement constituted connected transactions of the Company.

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

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

(ii) on normal commercial terms; and

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in Note 43 to the consolidated financial statements, no contract to which the Company, or any of the subsidiaries of the Company was a party, and in which a Director of the Company had, at any time during the year, whether directly or indirectly, an interest, (being, in either case, in the opinion of the Directors, a contract of significance in relation to the Company's business and in which the Director's interest is or was material), subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 December 2017, the following Directors or their associates are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

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

There is a deed of non-competition dated 30 May 2006 (the "Deed") and entered into between Mr. Lo, SOCL and the Company pursuant to which Mr. Lo and SOCL have given certain undertakings to the Company, among others, that the Company is to be the flagship company of the Shui On Group (that is, SOCL and its subsidiaries and for the purpose of this section "Directors' Interests in Competing Business", excluding SOCAM and its subsidiaries) for the Shui On Group's property development and investment business in the PRC and concerning the Shui On Group's investment in future property development projects in the PRC. Such information has been disclosed in the Company's prospectus dated 20 September 2006. In respect of the year ended 31 December 2017, the Company has received from each of Mr. Lo and SOCL a confirmation on compliance with the non-competition undertakings as contemplated under the Deed.

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

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 10 December 2012, a written agreement (the "Trust Deed") was entered into between the Company as guarantor, SODH as issuer and DB Trustee (Hong Kong) Limited ("DB") as trustee of the Perpetual Securities issued by SODH, pursuant to which the Perpetual Securities were issued. The Trust Deed provides that if (a) SODH fails to comply with any of the covenants set out in the terms and conditions of the Perpetual Securities and such breach continues or (b) SODH does not redeem the Perpetual Securities following the occurrence of a change of control (as defined in the terms and conditions of the Perpetual Securities) or fails to make or consummate an offer to purchase, the then-prevailing distribution rate shall be increased by 3% per annum with effect from (and including) the date on which such change of control occurs, provided that the maximum aggregate increase in the distribution rate shall be 3% per annum. Details of the transaction were set out in the announcement of the Company dated 11 December 2012. On 10 December 2017, SODH redeemed all the outstanding Perpetual Securities with an aggregate principal amount of US$500 million and paid the redemption price together with any accrued distribution. Upon redemption, the Perpetual Securities were cancelled.

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

On 19 May 2014, two written agreements (respectively the "2018 SODH Indenture" and the "2020 SODH Indenture") were entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$637,027,000 8.700% senior notes due 2018 (the "2018 SODH Notes") and the 2020 SODH Notes issued by SODH, pursuant to which the 2018 SODH Notes and 2020 SODH Notes were issued. The 2018 SODH Indenture and the 2020 SODH Indenture provide that upon the occurrence of a Change of Control (as defined in the 2018 SODH Indenture and 2020 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2018 SODH Notes and 2020 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the

Company dated 20 May 2014. On 5 June 2017, SODH redeemed all outstanding 2020 SODH Notes with an aggregate principal amount of US$202,487,000 and paid the redemption price plus the accrued and unpaid interest. Upon redemption, the 2020 SODH Notes were cancelled.

On 10 June 2014, a written agreement (the "2019 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the 2019 SODH Notes issued by SODH, pursuant to which the 2019 SODH Notes were issued. The 2019 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2019 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2019 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 11 June 2014. On 28 December 2017, SODH partially redeemed US$300 million of the outstanding 2019 SODH Notes with the aggregate principal amount of US$550 million on a pro rata basis and paid the redemption price plus the accrued and unpaid interest. Upon such redemption, the outstanding 2019 SODH Notes totalled US$250 million. On 22 January 2018, SODH further redeemed the outstanding 2019 SODH Notes with the aggregate principal amount of US$250 million and paid the redemption price plus the accrued and unpaid interest. Upon completion of the redemption, the 2019 SODH Notes were cancelled.

On 24 November 2014, a written agreement (the "2017 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the 2017 SODH Notes issued by SODH, pursuant to which the 2017 SODH Notes were issued. The 2017 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2017 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2017 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 25 November 2014. On 26 July 2017, SODH redeemed all the outstanding 2017 SODH Notes with an aggregate principal amount of US$500 million and paid the redemption price plus applicable premium and the accrued and unpaid interest. Upon redemption, the 2017 SODH Notes were cancelled.

On 5 October 2016, a written agreement (the "2019 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$250 million 4.375% senior notes due 2019 issued by SODH (the "2019 Notes"), pursuant to which the 2019 Notes were issued. The 2019 Indenture provides that upon the occurrence of a Change of Control (as defined in the 2019 Indenture), the Company or SODH will make an offer to repurchase all outstanding 2019 Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 6 October 2016.

On 6 February 2017, a written agreement (the "2021 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$500 million 5.70% senior notes due 2021 issued by SODH (the "2021 Notes"), pursuant to which the 2021 Notes were issued. The 2021 Indenture provides that upon the occurrence of a change of control (as defined in the 2021 Indenture), the Company or SODH will make an offer to repurchase all outstanding 2021 Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 7 February 2017.

On 24 April 2017, SODH entered into a facility agreement with China CITIC Bank International Limited (the "Facility Agreement") whereby SODH was granted a two-year term loan facility of HK$400 million (the "Facility") for refinancing of the existing facility. Pursuant to the Facility Agreement, there is a requirement that Mr. Lo (i) beneficially owns at least 35% of the issued share capital of the Company and be the single largest shareholder of the Company; (ii) be the Chairman of the Company and (iii) maintains management control of the Company. Details of the transaction were set out in the announcement of the Company dated 5 May 2017.

On 20 June 2017, a written agreement (the "2022 Trust Deed") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$600 million 6.40% senior perpetual capital securities callable 2022 issued by SODH (the "Senior Perpetual Securities"), pursuant to which the Senior Perpetual Securities were issued. The 2022 Trust Deed provides that upon the occurrence of a change of control (as defined in the 2022 Trust Deed), SODH may at its option, redeem in whole but not in part the Senior Perpetual Securities at (i) their applicable early redemption amount (as defined in the 2022 Trust Deed) if such redemption occurs prior to 20 June 2022; or (ii) their principal amount, together with any distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amount), if such a redemption occurs on or after 20 June 2022. Details of the transaction were set out in the announcement of the Company dated 20 June 2017.

Any breach of the above obligations will cause a default in respect of the 2018 SODH Notes, the 2019 Notes, 2021 Notes, the Facility and the Senior Perpetual Securities may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB10,803 million at 31 December 2017.

REMUNERATION POLICY

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

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

PROVIDENT AND RETIREMENT FUND SCHEMES

Details of the Group's provident and retirement fund schemes are shown in Note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float during the year ended 31 December 2017, as required under the Listing Rules.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to RMB1.7 million (2016: RMB1 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group sales were attributable to the top five customers of the Group. During the year, our five largest construction contractors accounted for approximately 50% of our total payments for construction services.

AUDITOR

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

On behalf of the Board

Vincent H. S. LO
Chairman

21 March 2018

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 128 to 226, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED (CONTINUED)

(incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties stated at fair value	
We identified the valuation of investment properties stated at fair value as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the involvement of management's judgement in determining the fair value. As disclosed in note 13 to the consolidated financial statements, the investment properties are located in the People's Republic of China (the "PRC"). The fair value of completed investment properties and investment properties under construction or development at fair value, amounted to RMB38,864 million and RMB1,772 million, respectively as at 31 December 2017, which in aggregate represents 36% of the Group's total assets. An increase in fair value of RMB518 million was recognised in the consolidated statement of profit or loss for the year then ended. In estimating the fair value of these investment properties stated at fair value, the Group engaged an independent qualified professional valuer to perform the valuation. As disclosed in note 4 to the consolidated financial statements, the management of the Group worked with the valuer to establish and determine the appropriate valuation technique and inputs for fair value measurements. As disclosed in note 13 to the consolidated financial statements, for those completed investment properties, the key inputs in the income capitalisation approach are capitalisation rate and daily market rent while for those investment properties under construction or development that are measured at fair value, the key inputs in the market-based approach are gross development value, level adjustment and developer's profit. Changes in these key inputs would result in changes in fair value.	Our procedures in relation to the valuation of investment properties stated at fair value included: • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer; • Obtaining an understanding of the valuation processes and significant assumptions from the management of the Group and the valuer to assess if the income capitalisation approach or the market-based approach adopted are appropriate or not; • Evaluating the appropriateness of the estimations used by the management of the Group and the valuer, in particular, the valuation model and the capitalisation rate used by the management of the Group and the valuer; and • Assessing the reasonableness of other key inputs used in the valuation model by comparing daily market rent, gross development value, level adjustment, developer's profit and forecast construction costs to be incurred, on a sample basis, against current market data and entity-specific information.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of liabilities arising from rental guarantee arrangements	
We identified the valuation of liabilities arising from rental guarantee arrangements as a key audit matter as a significant judgement is required in determining the fair value. As disclosed in notes 4 and 33 to the consolidated financial statements, the Group has liabilities arising from rental guarantee arrangements in relation to the disposal of certain properties in prior years. As part of these disposals, the Group agreed to provide the purchasers of these properties with rental guarantees, which are based on the excess of a fixed rate of the consideration received by the Group over the net operating income to be generated by the properties. As at 31 December 2017, the Group has recognised liabilities arising on rental guarantee arrangements amounting to RMB728 million, with a loss of RMB458 million arising from rental guarantee arrangements recognised in the financial line item of "other gains and losses" in the consolidated statement of profit or loss for the year then ended. In estimating the fair value of the liabilities arising from these rental guarantee arrangements, the Group engaged an independent qualified professional valuer to perform the valuation. As disclosed in note 4 to the consolidated financial statements, the management worked with the valuer to establish and determine the appropriate valuation technique and inputs for fair value measurements. The determination of the fair value of such liabilities involves significant judgements and estimates. The key assumptions used in the valuation include the estimated office unit rental, the occupancy rate, risk-free rate, discount rate and expected expiry date.	Our procedures in relation to the valuation of liabilities arising from rental guarantee arrangements included: • Evaluating the competence, capabilities and objectivity of the valuer; • Obtaining an understanding of the valuation processes and significant assumptions from the management of the Group and the valuer to assess if the approach adopted on valuing the liabilities arising from rental guarantee arrangements is appropriate; • Assessing the reasonableness of the key inputs used in the valuation model, including but not limited to comparing the forecast occupancy rate and estimated rental income per square meter of the properties against current market data and entity-specific historical information; and • Performing an assessment of the accuracy of historical forecasts made by the management of the Group by comparing the actual and forecasted performance in the prior years and understanding any significant differences.

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED (CONTINUED)

(incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of a call option to buy back an investment property disposed of in previous years	
We identified the valuation of a call option to buy back an investment property disposed of in previous years as a key audit matter due to the involvement of management's judgement in determining the fair value. As disclosed in notes 4 and 32 to the consolidated financial statements, in previous years, the Group disposed of its entire equity interest in a subsidiary, and the related intercompany loans, that indirectly, owned 99% interest in an investment property located in Shanghai, the PRC, to an independent third party. In accordance with the relevant sale and purchase agreement, the Group was granted a call option to repurchase all the equity interest of the disposed subsidiary and the related shareholder's loans within two months before the fifth anniversary or the seventh anniversary of the completion of the disposal at a cash consideration that represented the original consideration plus a premium per annum. As at 31 December 2017, the fair value of the call option to buy back an investment property amounted to RMB342 million, with the decrease in fair value of RMB118 million recognised in the financial line item of "other gains and losses" in the consolidated statement of profit or loss for the year then ended. In estimating the fair value of the call option, the Group engaged independent qualified professional valuers to perform the valuation on the underlying investment property and the call option. As disclosed in note 4 to the consolidated financial statements, the management worked with the valuers to establish and determine the appropriate valuation technique and inputs for fair value measurements.	Our procedures in relation to the valuation of a call option to buy back an investment property disposed of in previous years included: • Evaluating the competence, capabilities and objectivity of the valuers; • Obtaining an understanding of the valuation processes and significant assumptions from the management of the Group and the valuers to assess if these approaches meet the requirements of IFRSs; • Evaluating the appropriateness of the estimations used by the management of the Group and the valuers, in particular, the underlying assumptions and methodologies used by the management of the Group and the valuers; and • Assessing the reasonableness of the key inputs used in the valuation model, including but not limited to comparing against the fair value of similar properties within the same locality and comparing the risk free rate used against current market data and entity-specific historical information with the assistance of our valuation specialists.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Provision for Land Appreciation Tax ("LAT")	
We identified the provision for LAT as a key audit matter due to the complexity of estimation of LAT. The Group has property development projects in a number of cities in the PRC and is subject to LAT in the PRC. As disclosed in note 9 to the consolidated financial statements, the provision for LAT of RMB1,959 million was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017. As disclosed in note 9 to the consolidated financial statements, LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.	Our procedures in relation to the provision for LAT included: • Obtaining an understanding from the management of the Group about the basis adopted by management of the Group in arriving at the provision for LAT; • Assessing the Group's provision for LAT computation prepared by the management of the Group with reference to relevant rules and regulations with the assistance of our taxation specialists; and • Checking the financial information, such as land costs, borrowing costs and the relevant property development expenditures, used in the calculation of provision for LAT to the Group's historical financial data.

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED (CONTINUED)

(incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED (CONTINUED)

(incorporated in the Cayman Islands with limited liability)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Joseph Wing Ming Chan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 RMB'million	2016 RMB'million
Turnover			
– The Company and its subsidiaries (the "Group")		**18,451**	17,600
– Share of associates		**281**	336
		18,732	17,936
Turnover of the Group	5	**18,451**	17,600
Cost of sales		**(10,593)**	(11,695)
Gross profit		**7,858**	5,905
Other income	6	**456**	580
Selling and marketing expenses		**(298)**	(324)
General and administrative expenses		**(826)**	(889)
Operating profit	7	**7,190**	5,272
Gain on disposal of investment properties through disposal of subsidiaries	37	**1,755**	476
Increase in fair value of the remaining investment properties	13	**518**	1,176
Other gains and losses	6	**(595)**	495
Share of losses of associates and joint ventures		**(927)**	(289)
Finance costs, inclusive of exchange differences	8	**(1,691)**	(2,495)
Profit before taxation		**6,250**	4,635
Taxation	9	**(3,926)**	(2,859)
Profit for the year		**2,324**	1,776
Attributable to:			
Shareholders of the Company		**1,669**	1,088
Owners of perpetual capital securities		**459**	337
Owners of convertible perpetual capital securities		**114**	112
Non-controlling shareholders of subsidiaries		**82**	239
		655	688
		2,324	1,776
Earnings per share	12		
– Basic		**RMB20.8 cents**	RMB13.6 cents
– Diluted		**RMB20.7 cents**	RMB13.6 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 RMB'million	2016 RMB'million
Profit for the year		**2,324**	1,776
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**6**	(59)
Fair value adjustments on interest rate swaps designated as cash flow hedges		**–**	5
Fair value adjustment on currency forward contracts designated as cash flow hedges	32	**(532)**	343
Reclassification from hedge reserve to profit or loss arising from currency forward contracts		**372**	(218)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations	36	**10**	4
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties, net of tax		**6**	14
Other comprehensive (expense) income for the year		**(138)**	89
Total comprehensive income for the year		**2,186**	1,865
Total comprehensive income attributable to:			
Shareholders of the Company		**1,531**	1,177
Owners of perpetual capital securities		**459**	337
Owners of convertible perpetual capital securities		**114**	112
Non-controlling shareholders of subsidiaries		**82**	239
		655	688
		2,186	1,865

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017

	NOTES	2017 RMB'million	2016 RMB'million
Non–current assets			
Investment properties	13	**47,989**	56,620
Property, plant and equipment	14	**1,187**	1,845
Interests in associates	16	**1,030**	4,400
Interests in joint ventures	17	**5,839**	783
Accounts receivable, deposits and prepayments	18	**1,088**	737
Derivative financial instruments	32	**342**	460
Pledged bank deposits	20	**2,134**	4,024
Deferred tax assets	34	**992**	840
Other non-current assets		**42**	36
		60,643	69,745
Current assets			
Properties under development for sale	15	**18,112**	21,838
Properties held for sale	21	**8,058**	4,865
Accounts receivable, deposits and prepayments	18	**7,520**	12,492
Loans to/amounts due from joint ventures	17	**1,405**	6
Amounts due from related companies	22	**642**	808
Amounts due from customers for contract work	19	**126**	97
Derivative financial instruments	32	**–**	343
Pledged bank deposits	20	**19**	455
Bank balances and cash	20	**14,607**	11,088
		50,489	51,992
Assets classified as held for sale	38	**3,160**	476
		53,649	52,468
Current liabilities			
Accounts payable, deposits received and accrued charges	24	**10,369**	18,885
Bank borrowings – due within one year	25	**9,596**	6,434
Senior notes	28	**5,781**	6,023
Amounts due to related companies	22	**347**	412
Amounts due to non-controlling shareholders of subsidiaries	23	**8**	8
Loans from a non-controlling shareholder of subsidiaries	35	**1,651**	–
Tax liabilities		**3,443**	2,242
Derivative financial instruments	32	**214**	368
Liabilities arising from rental guarantee arrangements	33	**177**	328
		31,586	34,700
Liabilities associated with assets classified as held for sale	38	**8**	–
		31,594	34,700
Net current assets		**22,055**	17,768
Total assets less current liabilities		**82,698**	87,513

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017

	NOTES	2017 RMB'million	2016 RMB'million
Capital and reserves			
Share capital	26	**146**	145
Reserves	27	**38,136**	37,305
Equity attributable to shareholders of the Company		**38,282**	37,450
Convertible perpetual securities	29	**1**	1
Convertible perpetual capital securities	30	**1,345**	1,345
Perpetual capital securities	31	**4,052**	3,046
Non-controlling shareholders of subsidiaries		**5,495**	4,414
		10,893	8,806
Total equity		**49,175**	46,256
Non-current liabilities			
Accounts payable and accrued charges	24	**–**	24
Bank borrowings – due after one year	25	**21,397**	23,377
Senior notes	28	**4,925**	11,289
Liabilities arising from rental guarantee arrangements	33	**551**	271
Deferred tax liabilities	34	**6,645**	6,274
Defined benefit liabilities	36	**5**	22
		33,523	41,257
Total equity and non–current liabilities		**82,698**	87,513

The consolidated financial statements on pages 128 to 226 were approved and authorised for issue by the Board of Directors on 21 March 2018 and are signed on its behalf by:

VINCENT H. S. LO
DIRECTOR

DOUGLAS H. H. SUNG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to shareholders of the Company						
	Share capital RMB'million	Share premium RMB'million	Merger reserve RMB'million (note 27(a))	Special reserve RMB'million (note 27(b))	Share option reserve RMB'million	Share award reserve RMB'million	Exchange reserve RMB'million
At 1 January 2016	145	18,020	122	(135)	126	8	(108)
Profit for the year	–	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(59)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 32)	–	–	–	–	–	–	–
Reclassification arising from interest rate swaps from hedge reserve to profit or loss (note 32)	–	–	–	–	–	–	–
Fair value adjustments on currency forward contracts designated as cash flow hedges (note 32)	–	–	–	–	–	–	–
Reclassification from hedge reserve to profits or loss arising from currency forward contracts (note 32)	–	–	–	–	–	–	–
Remeasurement of defined benefit obligations (note 36)	–	–	–	–	–	–	–
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties (note 13)	–	–	–	–	–	–	–
Deferred tax arising from gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties	–	–	–	–	–	–	–
Total comprehensive income (expense) for the year	–	–	–	–	–	–	(59)
Recognition of equity-settled share-base payment expenses under the share option scheme (note 39)	–	–	–	–	3	–	–
Recognition of equity-settled share-based payment expenses under the share award scheme (note 39)	–	–	–	–	–	9	–
Lapse of share options	–	–	–	–	(90)	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–
Acquisition of subsidiaries (note 37(d))	–	–	–	–	–	–	–
Disposal of subsidiaries (note 37(e))	–	–	–	–	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–
Total dividends of HK$0.039 per share paid, comprising 2015 final dividend of HK$0.028 per share and 2016 interim dividend of HK$0.011 per share	–	–	–	–	–	–	–
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–
Distribution to owners of convertible perpetual capital securities	–	–	–	–	–	–	–
Distribution to owners of convertible perpetual securities	–	–	–	–	–	–	–
Capital injection by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–
At 31 December 2016	145	18,020	122	(135)	39	17	(167)
At 1 January 2017	**145**	**18,020**	**122**	**(135)**	**39**	**17**	**(167)**
Profit for the year	–	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	**6**
Net adjustment of hedge reserve reclassified to profit or loss upon termination of currency forward contracts (note 32)	–	–	–	–	–	–	–
Fair value adjustments on currency forward contracts designated as cash flow hedges (note 32)	–	–	–	–	–	–	–
Reclassification from hedge reserve to profits or loss arising from currency forward contracts (note 32)	–	–	–	–	–	–	–
Remeasurement of defined benefit obligations (note 36)	–	–	–	–	–	–	–
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties (note 13)	–	–	–	–	–	–	–
Deferred tax arising from gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties	–	–	–	–	–	–	–
Total comprehensive income (expense) for the year	–	–	–	–	–	–	**6**
Recognition of equity-settled share-based payment expenses under the share option scheme (note 39)	–	–	–	–	**2**	–	–
Recognition of equity-settled share-based payment expenses under the share award scheme (note 39)	–	–	–	–	–	**7**	–
Lapse of share options	–	–	–	–	**(28)**	–	–
Partially disposal of subsidiaries without losing of control	–	–	–	–	–	–	–
Issue of perpetual capital securities	–	–	–	–	–	–	–
Expenses on issue of perpetual capital securities	–	–	–	–	–	–	–
Disposal of subsidiaries (note 37(a), (c))	–	–	–	–	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–
Total dividends of HK$0.069 per share paid, comprising 2016 final dividend of HK$0.039 per share and 2017 interim dividend of HK$0.03 per share	–	–	–	–	–	–	–
Distribution to owners of perpetual capital securities	–	–	–	–	–	–	–
Redemption of perpetual capital securities	–	–	–	–	–	–	–
Distribution to owners of convertible perpetual capital securities	–	–	–	–	–	–	–
Distribution to owners of convertible perpetual securities	–	–	–	–	–	–	–
Shares issued in lieu of cash dividend	**1**	**56**	–	–	–	–	–
Capital injection by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–
At 31 December 2017	**146**	**18,076**	**122**	**(135)**	**13**	**24**	**(161)**

Attributable to shareholders of the Company										
Hedge reserve RMB'million	Other reserves RMB'million (note 27(c))	Property revaluation reserve RMB'million	Retained earnings RMB'million	Sub-total RMB'million	Convertible perpetual securities RMB'million (note 29)	Convertible perpetual capital securities RMB'million (note 30)	Perpetual capital securities RMB'million (note 31)	Non- controlling shareholders of subsidiaries RMB'million	Sub-total RMB'million	Total
(8)	772	64	17,639	36,645	16	1,346	3,050	5,061	9,473	46,118
–	–	–	1,088	1,088	–	112	337	239	688	1,776
–	–	–	–	(59)	–	–	–	–	–	(59)
5	–	–	–	5	–	–	–	–	–	5
3	–	–	–	3	–	–	–	–	–	3
343	–	–	–	343	–	–	–	–	–	343
(221)	–	–	–	(221)	–	–	–	–	–	(221)
–	–	–	4	4	–	–	–	–	–	4
–	–	18	–	18	–	–	–	–	–	18
–	–	(4)	–	(4)	–	–	–	–	–	(4)
130	–	14	1,092	1,177	–	112	337	239	688	1,865
–	–	–	–	3	–	–	–	–	–	3
–	–	–	–	9	–	–	–	–	–	9
–	–	–	90	–	–	–	–	–	–	–
–	(3)	–	–	(3)	–	–	–	(19)	(19)	(22)
–	(115)	–	–	(115)	–	–	–	110	110	(5)
–	–	–	–	–	–	–	–	(41)	(41)	(41)
–	–	–	–	–	–	–	–	(941)	(941)	(941)
–	–	–	(266)	(266)	–	–	–	–	–	(266)
–	–	–	–	–	–	–	(341)	–	(341)	(341)
–	–	–	–	–	–	(113)	–	–	(113)	(113)
–	–	–	–	–	(15)	–	–	–	(15)	(15)
–	–	–	–	–	–	–	–	5	5	5
122	654	78	18,555	37,450	1	1,345	3,046	4,414	8,806	46,256
122	654	78	18,555	37,450	1	1,345	3,046	4,414	8,806	46,256
–	–	–	1,669	1,669	–	114	459	82	655	2,324
–	–	–	–	6	–	–	–	–	–	6
39	–	–	–	39	–	–	–	–	–	39
(532)	–	–	–	(532)	–	–	–	–	–	(532)
333	–	–	–	333	–	–	–	–	–	333
–	–	–	10	10	–	–	–	–	–	10
–	–	8	–	8	–	–	–	–	–	8
–	–	(2)	–	(2)	–	–	–	–	–	(2)
(160)	–	6	1,679	1,531	–	114	459	82	655	2,186
–	–	–	–	2	–	–	–	–	–	2
–	–	–	–	7	–	–	–	–	–	7
–	–	–	28	–	–	–	–	–	–	–
–	(14)	–	–	(14)	–	–	–	1,117	1,117	1,103
–	–	–	–	–	–	–	4,085	–	4,085	4,085
–	–	–	–	–	–	–	(43)	–	(43)	(43)
–	–	–	–	–	–	–	–	(78)	(78)	(78)
–	–	–	–	–	–	–	–	(41)	(41)	(41)
–	–	–	(475)	(475)	–	–	–	–	–	(475)
–	–	–	–	–	–	–	(467)	–	(467)	(467)
–	(276)	–	–	(276)	–	–	(3,028)	–	(3,028)	(3,304)
–	–	–	–	–	–	(114)	–	–	(114)	(114)
–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	57	–	–	–	–	–	57
–	–	–	–	–	–	–	–	1	1	1
(38)	364	84	19,787	38,282	1	1,345	4,052	5,495	10,893	49,175

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 RMB'million	2016 RMB'million
Operating activities		
Profit before taxation	6,250	4,635
Adjustments for:		
Depreciation of property, plant and equipment	108	141
Net foreign exchange difference	(42)	(9)
Share of losses of associates and joint ventures	927	289
(Gain) loss on disposal of property, plant and equipment	(5)	19
Release of prepaid lease payments	1	–
Finance costs, inclusive of exchange differences	1,691	2,495
Interest income	(405)	(303)
Gain on disposal of investment properties through disposal of subsidiaries	(1,755)	(476)
Increase in fair value of the remaining investment properties	(518)	(1,176)
Share option expenses	2	3
Share award expenses	7	9
Decrease (increase) in fair value of call option to buy back an investment property	118	(10)
Gain on disposal of investment properties	(156)	(7)
Bargain purchase gain on acquisition of subsidiaries	–	(369)
Gain on deemed disposal of a joint venture	–	(498)
Fair value (gain) loss on other derivative financial instruments	(64)	101
Impairment loss on property, plant and equipment	61	49
Impairment loss on properties held for sale	29	–
Loss on sales of beneficial interest in certain properties	–	13
Loss on early redemption of senior notes	235	–
Remeasurement of defined benefit liabilities	(10)	(4)
Fair value loss on remeasurement of liabilities under rental guarantee arrangements	458	227
Operating cash flows before movements in working capital	6,932	5,129
Decrease (increase) in accounts receivable, deposits and prepayments	5,483	(700)
(Increase) decrease in inventories of properties	(25)	4,559
Decrease in amounts due from related companies	–	39
(Decrease) increase in amounts due to related companies	(129)	2
Decrease in amounts due from joint ventures	–	15
Decrease in amounts due from associates	20	13
Decrease in amounts due to non-controlling shareholders of subsidiaries	–	(3)
(Increase) decrease in amounts due from customers for contract work	(29)	6
(Decrease) increase in value-added tax payable	(215)	305
(Decrease) increase in accounts payable, deposits received and accrued charges	(5,766)	3,236
Cash generated from operations	6,271	12,601
Tax paid	(2,490)	(1,802)
Net cash from operating activities	3,781	10,799

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 RMB'million	2016 RMB'million
Investing activities			
Interest received		220	144
Purchase of property, plant and equipment		(112)	(138)
Proceeds from disposal of property, plant and equipment		20	5
Additions to investment properties		(543)	(637)
Proceeds from disposal of investment properties, net of transaction costs		668	60
Proceeds from disposal of assets classified as held for sale		811	193
Advances to associates		(329)	(808)
Repayments from associates		612	765
Repayments from joint ventures		100	–
Advances to related companies		(72)	(158)
Repayments from related companies		218	35
Net cash inflow on disposals of investment properties through disposal of subsidiaries	37(a),(b),(c),(e)	5,167	3,633
Net cash outflow on sales of beneficial interest in certain properties		–	(13)
Withdrawal of pledged bank deposits		2,469	2,323
Placement of pledged bank deposits		(143)	(3,720)
Acquisition of a subsidiary and shareholders' loan		(2,743)	50
Deposits for acquisition of a subsidiary	18	(630)	–
Loans to/advances to joint ventures		(2,660)	–
Payments made under rental guarantee arrangements		(329)	(340)
Net cash from investing activities		2,724	1,394
Financing activities			
Capital injected by non-controlling shareholders of subsidiaries		1	5
New bank borrowings raised		13,494	12,345
Repayment of bank borrowings		(9,196)	(17,820)
Settlement for derivative financial instruments designated as cash flow hedge		(767)	–
Issue of senior notes	28	3,379	1,653
Repayment of senior notes	28	(9,484)	–
Expenditure incurred on issue of senior notes	28	(10)	(5)
Issue of perpetual capital securities	31	4,085	–
Expenditure incurred on issue of convertible perpetual capital securities	31	(43)	–
Interest paid		(3,052)	(3,262)
Advances from related companies		85	100
Payment of dividends		(418)	(266)
Distribution to owners of convertible perpetual securities		–	(15)
Distribution to owners of convertible perpetual capital securities		(114)	(113)
Distribution to owners of perpetual capital securities		(467)	(341)
Redemption of perpetual capital securities		(3,304)	–
Dividend payment to non-controlling shareholders of subsidiaries		(41)	(941)
Proceeds from disposals of partial equity interest of subsidiaries		1,300	–
Loans from a non-controlling shareholder of subsidiaries		1,647	–
Net cash used in financing activities		(2,905)	(8,660)
Net increase in cash and cash equivalents		3,600	3,533
Cash and cash equivalents at the beginning of the year		11,088	7,641
Effect of foreign exchange rate changes		(81)	(86)
Cash and cash equivalents at the end of the year		14,607	11,088
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		14,607	11,088

1. GENERAL

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

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

AMENDMENTS TO IFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

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

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

Except as described below, the application of amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

AMENDMENTS TO IAS 7 DISCLOSURE INITIATIVE

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

AMENDMENTS TO IAS 7 DISCLOSURE INITIATIVE (CONTINUED)

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

A reconciliation between the opening and closing balances of these items is provided in note 47. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 47, the application of these amendments has had no impact on the Group's consolidated financial statements.

NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 9 FINANCIAL INSTRUMENTS

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

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

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

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

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

Classification and measurement:

- Loan receivables carried at amortized cost as disclosed in notes 16 and 17 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortized cost upon the application of IFRS 9;

- Except for financial assets that are subject to expected credit loss measurement, all other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment:

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

Hedge accounting:

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

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

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

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

IFRS 16 LEASES

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

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

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

IFRS 16 LEASES (CONTINUED)

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB103 million as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The significant accounting policies adopted are set out below.

BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

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

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

BUSINESS COMBINATIONS

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT PROPERTIES

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

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

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

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

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

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

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

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

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

CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

PREPAID LEASE PAYMENTS

Prepaid lease payments for leasehold land classified as operating leases are charged to the profit or loss on a straight-line basis over the period of the land use rights.

PROPERTIES UNDER DEVELOPMENT FOR SALE

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets. Cost includes the costs of land (including relocation costs), development expenditure incurred and, where appropriate, borrowing costs capitalised during construction period. Net realisable value is determined based on prevailing market conditions.

Properties under development for sales are transferred to properties held for sale upon completion of development activities, which is when the relevant completion certificates are issued by the respective government authorities.

PROPERTIES HELD FOR SALE

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the properties held for sale. Net realisable value is determined based on prevailing market conditions.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

IMPAIRMENT ON TANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets that include loans to associates, loans to joint ventures, accounts receivable, amounts due from associates, amounts due from related companies, amounts due from joint ventures, pledged bank deposits, restricted bank deposits, and bank balances and cash are categorised as loans and receivables in accordance with IAS 39. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using an effective interest method at the end of each subsequent period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables (see note 18), assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss of loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities and equity instruments (continued)

Equity instruments (continued)

A financial instrument issued by a group entity, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received.

A non-derivative contract that will or may oblige the Group to deliver a fixed number of a group entity's own ordinary shares (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity. A derivative contract that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of a group entity's own equity instruments (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity.

Perpetual capital securities, convertible perpetual securities and convertible perpetual capital securities issued by the Group that have the above characteristics are classified as equity instruments.

Financial liabilities at amortised cost

The Group's financial liabilities (including accounts payable, loans from a non-controlling shareholder of subsidiaries, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, senior notes, and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of "hedge reserve". The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in "other gains and losses". Amounts previously recognised in other comprehensive income and accumulated in "hedge reserve" are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments and hedging (continued)

Hedge accounting (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in "hedge reserve" at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Modification of terms of financial liabilities

When the terms of a debt instrument issued by the Group are substantially different (e.g. the issuance of a new debt instrument to the holders in exchange for the existing debt instruments with substantially different terms), such a transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with the difference between the carrying amount of the financial liability extinguished and the fair value of the financial liability recognised in profit or loss. Related transaction costs are recognised in profit or loss when they are incurred.

When an exchange or a change in terms of a financial liability is not accounted for an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over remaining terms of the modified liability.

Both qualitative and quantitative factors are considered in determining whether an exchange or a change in terms of a financial liability is an extinguishment. Specifically, the terms are substantially different and hence the transaction is treated as an extinguishment if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASING (CONTINUED)

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Contingent rents are recorded as income in the periods in which they are earned.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

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

TAXATION

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies under "Hedge accounting" above).

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "exchange reserve" (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to employees (including Directors of the Company)

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share options granted to employees (including Directors of the Company) (continued)

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, such that the cumulative expenses reflects the revised estimates, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Share awards granted to employees (including Directors of the Company)

For share award schemes, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's shares held for the share award scheme, if any, is recorded as treasury shares (shares held for share award scheme). At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to retained earnings.

At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on the best available estimate of the management. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

RETIREMENT BENEFIT COSTS

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item "retirement benefits costs".

The retirement benefit obligation recognised in the consolidated statement of financial position includes the actual deficit or surplus in the Group's defined benefit plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the course of ordinary activities of the Group, net of discounts and sales related taxes.

Revenue from sale of properties in the course of ordinary activities of the Group is recognised when the properties are delivered and the significant risks and rewards of ownership have been transferred to the buyer, provided that at that stage it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably and provided that the Group maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the land and other properties sold.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from hotel operations is recognised when the relevant services are provided.

Property management fee income and rental related income are recognised in profit or loss when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing above.

CONSTRUCTION CONTRACTS

Where the outcome of a construction and building maintenance contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction and building maintenance contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that probably will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under accounts receivable, deposits and prepayments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (see below), that the Directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Perpetual capital securities and convertible perpetual capital securities

Pursuant to the terms of the Perpetual Capital Securities (as defined in note 31) and Convertible Perpetual Capital Securities (as defined in note 30), a subsidiary of the Company, as an issuer of the Perpetual Capital Securities and Convertible Perpetual Capital Securities, can at its option to redeem the Perpetual Capital Securities and Convertible Perpetual Capital Securities and at its discretion to defer distributions on the Perpetual Capital Securities and Convertible Perpetual Capital Securities. However, in those cases, the Company and the issuer will not be able to declare or pay any dividends to their ordinary shareholders if any distributions on the Perpetual Capital Securities and Convertible Perpetual Capital Securities are unpaid or deferred. In the opinion of the Directors of the Company, this restriction does not result in the Group having the obligation to redeem the Perpetual Capital Securities and Convertible Perpetual Capital Securities or to pay distributions on the Perpetual Capital Securities and Convertible Perpetual Capital Securities. Accordingly, the Perpetual Capital Securities and Convertible Perpetual Capital Securities are classified as equity instruments. As at 31 December 2017, the carrying amounts of the Perpetual Capital Securities and Convertible Perpetual Capital Securities are RMB4,052 million (2016: RMB3,046 million) and RMB1,345 million (2016: 1,345 million), respectively.

Deferred taxation on investment properties

In measuring the Group's deferred taxation on certain investment properties measured at fair value, the Directors of the Company have determined that the presumption that the carrying amounts of these investment properties measured using the fair value model were recovered entirely through sales was not rebutted. The Directors of the Company have considered whether additional land appreciation tax ("Land Appreciation Tax") is required regarding potential asset transfer. After assessment, the Directors of the Company have concluded that the deferred tax liabilities recognised are adequate.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

The Group's certain assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of the reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations will be reported to the Directors of the Company for appropriate actions to be taken.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed in notes 13, 29, 32, 33 and 46(c).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Liabilities arising on rental guarantee arrangements

As disclosed in note 33, the Group disposed of certain properties in prior years. As part of these disposals, the Group agreed to provide the purchasers of these properties with rental guarantees, which are based on the excess of a fixed rate of the consideration received by the Group over the net operating income to be generated by the properties. In measuring the fair value of the liabilities arising on these rental guarantee arrangements, the Group has prepared budgets regarding how much rental income can be generated from these properties. As of 31 December 2017, the Group has recognised liabilities arising on rental guarantee arrangements amounting to RMB728 million (2016: RMB599 million), which, in the opinion of Directors of the Company, is the best estimate of the outstanding amount taking into account the forecasted unit rental and occupancy rate. Where there are significant changes to the estimates, the Group's liabilities would increase or decrease with the corresponding adjustment being made to the profit or loss.

Fair value of a call option to buy back an investment property disposed of in previous years

In previous years, the Group disposed of an investment property through disposal of the equity interest in a subsidiary. Based on the relevant sale and purchase agreement entered into in previous years, the Group was granted a call option which enables the Group to buy back the equity interest in that subsidiary within two months prior to five years or seven years after the date of disposal (i.e. 18 December 2013), at a price equals to the original consideration plus a premium per annum. As at 31 December 2017, the fair value of the call option was estimated to be approximately RMB342 million (2016: RMB460 million) with reference to the fair value of similar properties within the same locality as at that date. The Group has engaged an independent valuer to estimate the fair value of the option as at 31 December 2017. Details of the methodology and assumptions are disclosed in note 32. The fair value of the option was included in the "derivative financial instruments" line item of the Group's consolidated statement of financial position as at 31 December 2017. In the opinion of the Directors of the Company, the methodology and assumptions used in estimating the fair value of the option as at 31 December 2017 were appropriate and reasonable. If the call option is not exercised in subsequent years or when the fair value of underlying property decreases, the Group will recognise a loss in the profit or loss in subsequent years.

Land Appreciation Tax

The Group is subject to Land Appreciation Tax in the People's Republic of China (the "PRC"). However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and the Group has not finalised its Land Appreciation Tax calculation and payments with local tax authorities for all land lots in the PRC. Accordingly, significant judgement is required in determining the amount of the Land Appreciation Tax and its related income tax provisions. The Group recognised the Land Appreciation Tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

Estimated impairment of inventories

Properties under development for sale and properties held for sale are stated at lower of the cost and net realisable value. The net realisable value is the estimated selling price of the completed units (based on the current prevailing market conditions) less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information and valuation performed by independent professional valuers. The Group has recognised an impairment loss amounting to RMB29 million during the year ended 31 December 2017 (2016: nil). Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the properties under development for sale and properties held for sale in the consolidated statement of profit or loss.

5. TURNOVER AND SEGMENTAL INFORMATION

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

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

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

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

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

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

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

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue						
External turnover of the Group	16,169	1,961	194	18,324	127	18,451
Share of turnover of associates	249	32	–	281	–	281
Total segment revenue	16,418	1,993	194	18,605	127	18,732
Segment Results						
Segment results of the Group	5,968	3,063	(14)	9,017	120	9,137
Interest income						405
Share of losses of associates and joint ventures						(927)
Finance costs, inclusive of exchange differences						(1,691)
Other gains and losses						(416)
Unallocated income						72
Unallocated expenses						(330)
Profit before taxation						6,250
Taxation						(3,926)
Profit for the year						2,324
Other Information						
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions of completed investment properties and property, plant and equipment	–	128	–	128	–	128
Development costs for investment properties under construction or development	–	873	–	873	–	873
Depreciation of property, plant and equipment	52	56	–	108	–	108
Gain on disposal of investment properties through disposal of subsidiaries	–	1,755	–	1,755	–	1,755
Increase in fair value of the remaining investment properties	–	518	–	518	–	518
Financial Position						
Assets						
Segment assets	33,351	50,530	343	84,224	(19)	84,205
Interests in associates						1,030
Interests in joint ventures						5,839
Loans to/amounts due from joint ventures						1,405
Amounts due from related companies						642
Unallocated corporate assets						21,171
Consolidated total assets						114,292
Liabilities						
Segment liabilities	9,374	2,253	280	11,907	1	11,908
Unallocated corporate liabilities						53,209
Consolidated total liabilities						65,117

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue						
External turnover of the Group	15,604	1,716	222	17,542	58	17,600
Share of turnover of associates	287	49	–	336	–	336
Total segment revenue	15,891	1,765	222	17,878	58	17,936
Segment Results						
Segment results of the Group	4,469	2,431	(24)	6,876	(8)	6,868
Interest income						303
Share of losses of associates and joint ventures						(289)
Finance costs, inclusive of exchange differences						(2,495)
Other gains and losses						534
Unallocated income						24
Unallocated expenses						(310)
Profit before taxation						4,635
Taxation						(2,859)
Profit for the year						1,776
Other Information						
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions of completed investment properties and property, plant and equipment	57	94	–	151	–	151
Development costs for investment properties under construction or development	–	998	–	998	–	998
Depreciation of property, plant and equipment	64	77	–	141	–	141
Gain on disposal of investment properties through disposal of subsidiaries	–	476	–	476	–	476
Increase in fair value of the remaining investment properties	–	1,176	–	1,176	–	1,176
Financial Position						
Assets						
Segment assets	39,136	59,626	277	99,039	20	99,059
Interests in associates						379
Amounts due from associates						2,156
Loans to associates						1,865
Interests in joint ventures						783
Loans to/amounts due from joint ventures						6
Amounts due from related companies						808
Unallocated corporate assets						17,157
Consolidated total assets						122,213
Liabilities						
Segment liabilities	15,422	2,069	394	17,885	1	17,886
Unallocated corporate liabilities						58,071
Consolidated total liabilities						75,957

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

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

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

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, interests in joint ventures, loans to associates, loans to joint ventures, amounts due from associates, amounts due from joint ventures, amounts due from related companies, deferred tax assets, derivative financial instruments, pledged bank deposits, restricted bank deposits, bank balances and cash and other unallocated corporate assets; and
- all liabilities are allocated to reportable segments other than amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, loans from a non-controlling shareholder of subsidiaries, tax liabilities, deferred tax liabilities, derivative financial instruments, defined benefit liabilities, bank borrowings, senior notes and other unallocated corporate liabilities.

Over 90% of the Group's turnover and contribution to operating profit is attributable to customers in the PRC for both years. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Group's non-current assets is shown as the assets are substantially located in the PRC.

During the year ended 31 December 2017, a customer contributed RMB3,229 million to the turnover of the Group in respect of the property development segment. During the year ended 31 December 2016, a customer contributed RMB1,842 million to the turnover of the Group in respect of the property development segment.

6. OTHER INCOME, OTHER GAINS AND LOSSES

	2017 RMB'million	2016 RMB'million
Other income		
Interest income from banks	220	102
Interest income from associates (note 43)	94	134
Interest income from loans to joint ventures (note 43)	58	42
Imputed interest income on consideration receivable from disposal of a subsidiary (note 37(f))	33	25
Grants received from local government	18	249
Others	33	28
	456	580
Other gains and losses		
Loss arising from rental guarantee arrangements (note 33)	(458)	(227)
Loss on early redemption of senior notes	(235)	–
Gain on disposal of investment properties (note)	156	8
(Decrease) increase in fair value of call option to buy back an investment property (note 32)	(118)	10
Fair value gain (loss) on other derivative financial instruments (note 32)	64	(101)
Impairment loss on property, plant and equipment (note 14)	(61)	(49)
Bargain purchase gain on acquisition of subsidiaries (note 37(d))	–	369
Gain on deemed disposal of a joint venture (note 37(d))	–	498
Loss on termination of sales of beneficial interest in certain properties	–	(13)
Others	57	–
	(595)	495

Note:
During the year ended 31 December 2017, the amount mainly included a disposal gain arising from the disposal of certain retail units located in Shanghai, which were classified as completed investment properties, for a cash consideration after the deduction of value-added tax and transaction cost of RMB656 million, and recognised a gain of RMB144 million on disposal of investment properties.

7. OPERATING PROFIT

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

8. FINANCE COSTS, INCLUSIVE OF EXCHANGE DIFFERENCES

	2017 RMB'million	2016 RMB'million
Interest on bank and other borrowings	1,718	1,824
Imputed interest of deferred consideration in relation to acquisition of a subsidiary	82	235
Imputed interest of deferred consideration in relation to disposal of a subsidiary	–	58
Interest on senior notes (note 28)	1,372	1,424
Net interest expense from interest rate swaps designated as cash flow hedges	–	6
Interest on loan from non-controlling shareholders of subsidiaries	7	–
Total interest costs	3,179	3,547
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	(1,344)	(1,982)
Interest expense charged to profit or loss	1,835	1,565
Net exchange (gain)/ loss on bank borrowings and other financing activities	(195)	895
Others	51	35
	1,691	2,495

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

9. TAXATION

	2017 RMB'million	2016 RMB'million
PRC Enterprise Income Tax		
– Current provision	1,535	1,393
PRC Withholding Tax		
– Current provision	7	5
PRC Land Appreciation Tax		
– Provision for the year	1,959	1,323
Deferred taxation (note 34)		
– Provision for the year	425	138
	3,926	2,859

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

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

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

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

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

9. TAXATION (CONTINUED)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2017 RMB'million	2016 RMB'million
Profit before taxation	**6,250**	4,635
PRC Enterprise Income Tax at 25%	**1,563**	1,159
PRC Land Appreciation Tax	**1,959**	1,323
Tax effect of PRC Land Appreciation Tax	**(490)**	(331)
Deferred tax provided for withholding tax on income derived in the PRC	**98**	130
Deferred tax provided for PRC Land Appreciation Tax in respect of investment properties	**–**	51
Tax effect of share of losses of associates and joint ventures	**232**	72
Tax effect of expenses not deductible for tax purposes	**626**	442
Tax effect of income not taxable for tax purposes	**(40)**	(75)
Tax effect of tax losses not recognised	**31**	89
Tax effect of utilisation of tax losses previously not recognised	**(14)**	(1)
Less income tax arising on disposals of subsidiaries (note)	**(39)**	–
Tax charge for the year	**3,926**	2,859

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

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

Name of Director	Notes	Fees RMB'000	Salaries RMB'000	Other benefits RMB'000	Performance related incentive payments- cash bonus RMB'000	Share-based payment expenses RMB'000	2017 Total RMB'000
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–
Mr. Douglas H.H. SUNG	(b)	–	5,214	3,630	2,178	69	11,091
Mr. Frankie Y.L. WONG	(c)	303	–	–	994	–	1,297
Sir John R.H. BOND	(d)	346	–	–	–	–	346
Dr. William K.L. FUNG	(d)	389	–	–	–	–	389
Professor Gary C. BIDDLE	(d)	519	–	–	–	–	519
Dr. Roger L. McCARTHY	(d)	346	–	–	–	–	346
Mr. David J. SHAW	(d)	346	–	–	–	–	346
Mr. Anthony John Liddell NIGHTINGALE	(d)	303	–	–	–	–	303
Total for 2017		2,552	5,214	3,630	3,172	69	14,637

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

Name of Director	Notes	Fees RMB'000	Salaries RMB'000	Other benefits RMB'000	Performance related incentive payments-cash bonus RMB'000	Share-based payment expenses RMB'000	2016 Total RMB'000
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–
Mr. Douglas H.H. SUNG	(b)	–	3,960	2,918	430	91	7,399
Mr. Frankie Y.L. WONG	(c)	–	1,475	401	13,886	–	15,762
Sir John R.H. BOND	(d)	343	–	–	–	–	343
Dr. William K.L. FUNG	(d)	386	–	–	–	–	386
Professor Gary C. BIDDLE	(d)	514	–	–	–	–	514
Dr. Roger L. McCARTHY	(d)	343	–	–	–	–	343
Mr. David J. SHAW	(d)	343	–	–	–	–	343
Mr. Anthony John Liddell NIGHTINGALE	(d)	300	–	–	–	–	300
Total for 2016		2,229	5,435	3,319	14,316	91	25,390

Notes:
(a) An executive director and the chairman of the Company
(b) An executive director, managing director of the Company and the chief financial officer
(c) Mr. Frankie Y.L. WONG was an executive director of the Company before the appointment and re-designated as a non-executive director effective from 1 January 2017
(d) Independent non-executive directors of the Company

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The five highest paid employees of the Group during the year included one director (2016: two directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining four (2016: three) highest paid employees who are not a director of the Company are as follows:

	2017 RMB'million	2016 RMB'million
Salaries	15	8
Other benefits	6	6
Performance related incentive payments	6	2
Retirement benefit costs	2	3
Share award expenses	2	2
	31	21

The emoluments of the remaining highest paid employees were within the following bands:

	2017 Number of employees	2016 Number of employees
Emolument bands		
HK$7,000,001 – HK$7,500,000	–	1
HK$7,500,001 – HK$8,000,000	1	1
HK$8,000,001 – HK$8,500,000	2	–
HK$9,500,001 – HK$10,000,000	1	1
	4	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Certain executive directors of the Company are entitled to cash bonus payments which are determined based on the Group's and directors' personal performance.

11. DIVIDENDS

	2017 RMB'million	2016 RMB'million
Dividends recognised as distribution during the year:		
Interim dividend paid in respect of 2017 of HK$0.03 per share (2016: Interim dividend paid in respect of 2016 of HK$0.011 per share)	205	76
Final dividend paid in respect of 2016 of HK$0.039 per share (2016: Final dividend paid in respect of 2015 of HK$0.028 per share)	270	190
	475	266

A final dividend for the year ended 31 December 2017 of HK$0.07 (equivalent to RMB0.059 translated using the exchange rate of 0.83591 as at 31 December 2017) per share, amounting to HK$563 million (equivalent to RMB471 million translated using the exchange rate of 0.83591 as at 31 December 2017) in aggregate, was proposed by the Directors of the Company on 21 March 2018 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE

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

EARNINGS

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

NUMBER OF SHARES

	2017 'million	2016 'million
Weighted average number of ordinary shares for the purpose of basic earnings per share (note (a))	8,018	8,002
Effect of dilutive potential ordinary shares:		
Convertible perpetual capital securities (note (c))	597	–
Outstanding share awards	17	17
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,632	8,019
Basic earnings per share (note (b))	RMB20.8 cents HK$24.1 cents	RMB13.6 cents HK$15.9 cents
Diluted earnings per share (note (b))	RMB20.7 cents HK$23.9 cents	RMB13.6 cents HK$15.9 cents

Notes:

(a) The weighted average number of ordinary shares shown above have been arrived at after deducting 24,854,000 shares held by a share award scheme trust as set out in note 39.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.156 for 2017 and RMB1.000 to HK$1.167 for 2016, being the average exchange rates that prevailed during the respective years.

(c) During the year ended 31 December 2016, there were no dilution effect for the convertible perpetual capital securities (note 30) as the full conversion of convertible perpetual capital securities into ordinary shares of the Company will not result in a decrease in profit per ordinary share of the Company.

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

13. INVESTMENT PROPERTIES

	Completed investment properties RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Total RMB'million
At 1 January 2016	37,561	5,636	12,403	55,600
Additions	13	738	260	1,011
Disposal of a subsidiary (note 37(f))	–	–	(76)	(76)
Disposals	(53)	–	–	(53)
Transfer upon completion	3,318	(3,318)	–	–
Transfer from property, plant and equipment and prepaid lease payment (note 14)	519	–	–	519
Transfer to property, plant and equipment (note 14)	(50)	–	–	(50)
Transfer to properties under development for sale (note 15)	–	–	(1,031)	(1,031)
Transfer to asset held for sale (note 38)	(476)	–	–	(476)
Increase in fair value of the remaining properties recognised in profit or loss	1,233	(57)	–	1,176
At 31 December 2016	42,065	2,999	11,556	56,620
At 31 December 2016				
– Stated at fair value	42,065	2,999	–	45,064
– Stated at cost	–	–	11,556	11,556
At 1 January 2017	**42,065**	**2,999**	**11,556**	**56,620**
Additions	**16**	**721**	**152**	**889**
Cost adjustment	**(218)**	**–**	**–**	**(218)**
Disposal of subsidiaries (note 37(a), (b), (c))	**(3,642)**	**(2,102)**	**(4,221)**	**(9,965)**
Disposals	**(512)**	**–**	**–**	**(512)**
Transfer due to refurbishment	**(1,633)**	**1,633**	**–**	**–**
Transfer upon completion	**1,585**	**(1,585)**	**–**	**–**
Transfer from property, plant and equipment (note 14)	**630***	**–**	**–**	**630**
Transfer to property, plant and equipment (note 14)	**(15)**	**–**	**–**	**(15)**
Transfer to properties under development for sale (note 15)	**–**	**–**	**(134)**	**(134)**
Transfer from properties held-for-sale	**176**	**–**	**–**	**176**
Increase in fair value of the remaining properties recognised in profit or loss	**412**	**106**	**–**	**518**
At 31 December 2017	**38,864**	**1,772**	**7,353**	**47,989**
At 31 December 2017				
– Stated at fair value	**38,864**	**1,772**	**–**	**40,636**
– Stated at cost	**–**	**–**	**7,353**	**7,353**

* During the year ended 31 December 2017, certain self-use properties with carrying amount of RMB622 million was transferred to completed investment properties upon the change in use of the properties evidenced by commencement of leasing agreement for the properties to generate rental income. At the date of transfer, the gain on revaluation of properties transferred from property, plant and equipment to investment properties amounting to RMB8 million was recognised in other comprehensive income.

13. INVESTMENT PROPERTIES (CONTINUED)

All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

The Group is in the process of obtaining land use rights certificates in respect of investment properties under construction or development with the aggregate carrying amount of RMB3,418 million (2016: RMB3,353 million). The Directors of the Company believe that the relevant land use rights certificates will be granted in due course and the absence of land use rights certificates does not impair the value of the relevant properties.

The fair values of the Group's investment properties at 31 December 2017 and 31 December 2016, and the fair values of properties at the dates of transfer to/from investment properties have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group.

For completed investment properties, the valuations have been arrived at using income capitalisation approach, where appropriate. In the valuation using income capitalisation of net income method, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under construction or development that are measured at fair value, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

In estimating the fair value of the properties, the management has taken into consideration the highest and best use of the properties.

13. INVESTMENT PROPERTIES (CONTINUED)

The major inputs used in the fair value measurement of the Group's major investment properties as at 31 December 2017 and 31 December 2016 are set out below:

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Completed investment properties					
Completed investment properties located in Shanghai with an aggregate carrying amount of RMB25,728 million (2016: RMB30,665 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 3.5% to 7.5% (2016: from 3.5% to 7.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB2.9 to RMB18.1 (2016: from RMB2.6 to RMB17.3) per square metre ("sqm") per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Wuhan with an aggregate carrying amount of RMB7,086 million (2016: RMB5,463 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 4.5% to 6.25% (2016: from 4.0% to 6.0%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB6.3 to RMB6.6 (2016: from RMB5.8 to RMB6.0) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Foshan with an aggregate carrying amount of RMB4,324 million (2016: RMB4,172 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 4.0% to 5.5% (2016: from 3.5% to 4.75%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average ranging from RMB1.8 to RMB4.6 (2016: from RMB2.7 to RMB4.5) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Chongqing with an aggregate carrying amount of RMB1,726 million (2016: RMB1,765 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 4.25% to 5.0% (2016: 3.0% to 5.0%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB0.4 to RMB2.3 (2016: from RMB0.4 to RMB2.3) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.

13. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Investment properties under construction or development that are measured at fair value					
Investment properties under construction or development located in Chongqing with an aggregate carrying amount of nil (2016: RMB1,993 million)	Level 3	Market-based Approach The key inputs are: (1) Gross development value; (2) Level adjustment; and (3) Developer's profit.	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of nil (2016: RMB9,054 million).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
			Level adjustment on individual floor of retail portion of the property of nil (2016: from 75% to 95%) on specific levels.	The higher the level adjustment, the lower the fair value.	A significant increase in level adjustment used would result in a significant decrease in fair value, and vice versa.
			Developer's profit, taking into account the comparable land transactions and progress of the property, of nil (2016: 13%).	The higher the developer's profit, the lower the fair value.	A significant increase in developer's profit used would result in a significant decrease in fair value, and vice versa.
Investment properties under construction or development located in Wuhan with an aggregate carrying amount of nil (2016: RMB1,006 million)	Level 3	Market-based Approach The key inputs are: (1) Gross development value; (2) Level adjustment; and (3) Developer's profit.	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of nil (2016: RMB1,799 million).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
			Level adjustment on individual floor of retail portion of the property of nil (2016: from 55% to 80%) on specific levels.	The higher the level adjustment, the lower the fair value.	A significant increase in level adjustment used would result in a significant decrease in fair value, and vice versa.
			Developer's profit, taking into account the comparable land transactions and progress of the property, of nil (2016: 8%).	The higher the developer's profit, the lower the fair value.	A significant increase in developer's profit used would result in a significant decrease in fair value, and vice versa.
Investment properties under construction or development located in Shanghai with an aggregate carrying amount of RMB1,772 million (2016: nil)	Level 3	Market-based Approach The key inputs are: (1) Gross development value; and (2) Level adjustment	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB2,028 million (2016: nil).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
			Level adjustment on individual floor of retail portion of the property ranging from 60% to 95% (2016: nil) on specific levels.	The higher the level adjustment, the lower the fair value.	A significant increase in level adjustment used would result in a significant decrease in fair value, and vice versa.

There were no transfers in or out of Level 3 during both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'million	Hotel properties RMB'million	Hotels under development RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
At Cost					
At 1 January 2016	1,334	608	409	522	2,873
Acquisition of subsidiaries (note 37(d))	–	–	–	12	12
Additions	23	–	58	57	138
Disposals	–	–	–	(55)	(55)
Transfer from completed investment properties (note 13)	50	–	–	–	50
Transfer to completed investment properties (note 13)	(29)	(385)	–	–	(414)
Transfer	95	(95)	–	–	–
Transfer upon completion	–	420	(420)	–	–
At 31 December 2016	1,473	548	47	536	2,604
Disposal of subsidiaries (note 37(c))	–	–	–	(11)	(11)
Additions	21	88	3	–	112
Disposals	(27)	–	–	(15)	(42)
Transfer from completed investment properties (note 13)	15	–	–	–	15
Transfer to completed investment properties (note 13)	(645)	–	–	–	(645)
Transfer from properties held for sale	26	–	–	–	26
At 31 December 2017	863	636	50	510	2,059
Accumulated Depreciation					
At 1 January 2016	92	101	–	412	605
Charge for the year	35	42	–	64	141
Eliminated on disposals	–	–	–	(31)	(31)
Impairment loss recognised	49	–	–	–	49
Transfer to completed investment properties (note 13)	(5)	–	–	–	(5)
At 31 December 2016	171	143	–	445	759
Charge for the year	27	29	–	52	108
Eliminated on disposals	(16)	–	–	(11)	(27)
Impairment loss recognised	–	61	–	–	61
Transfer to completed investment properties (note 13)	(23)	–	–	–	(23)
Disposal of subsidiaries (note 37(c))	–	–	–	(6)	(6)
At 31 December 2017	159	233	–	480	872
Carrying Values					
At 31 December 2017	704	403	50	30	1,187
At 31 December 2016	1,302	405	47	91	1,845

The carrying amounts of owner-occupied leasehold land and buildings of RMB566 million (2016: RMB574 million) and hotel properties of RMB403 million (2016: RMB405 million) at the end of the reporting period included both the leasehold land and building elements in property, plant and equipment, as in the opinion of the Directors of the Company, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably. The land portions of the remaining owner-occupied properties were included in prepaid lease payments.

During the year ended 31 December 2017, the Directors of the Company conducted an impairment review on the property, plant and equipment and an impairment loss of RMB61 million (2016: RMB49 million) was recognised with reference its estimated recoverable amount.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment, except for hotels under development, are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	Over the shorter of the term of the lease, or 50 years
Hotel properties	Over the shorter of the term of the lease, or 50 years
Furniture, fixtures, equipment and motor vehicles	20% to $33^1/_3$%

15. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2017 RMB'million	2016 RMB'million
At beginning of the year	**21,838**	20,102
Additions	**9,336**	6,042
Acquisition of subsidiaries (note 37(d))	**–**	7,760
Disposal of subsidiaries (note 37(a), (b) & (f))	**(1,642)**	(1,770)
Transfer to properties held for sale	**(11,554)**	(11,327)
Transfer from investment properties under construction or development at cost (note 13)	**134**	1,031
At end of the year	**18,112**	21,838

Included in the properties under development for sale as at 31 December 2017 is carrying value of RMB18,112 million (2016: RMB13,825 million) which represents the carrying value of the properties expected to be realised after twelve months from the end of the reporting period.

The Group is in the process of obtaining land use rights certificates in respect of properties under development for sale with the aggregate carrying amount of RMB8,639 million (2016: RMB7,482 million). The Directors of the Company believe that the relevant land use rights certificates will be granted in due course and the absence of land use rights certificates does not impair the value of the relevant properties.

16. INTERESTS IN ASSOCIATES

	Notes	2017 RMB'million	2016 RMB'million
Interests in associates			
– Cost of investments, unlisted		–	652
– Deemed cost of remaining interest in a former subsidiary	(a)	1,033	–
– Share of post-acquisition results, net of effect on elimination of unrealised interest income		(3)	(273)
		1,030	379
Loans to associates – non-current			
– Interest free	(b) (e)	–	871
– Interest bearing	(c) (e)	–	994
		–	1,865
Amounts due from associates – non-current			
– Interest free	(d) (e)	–	567
– Interest bearing	(d) (e)	–	1,589
		–	2,156
		–	4,021

Notes:

(a) As disclosed in note 37(a), in May 2017, the Group disposed of a 79.2% equity interests in Chongqing Shui On Tiandi Real Estate Development Company Limited ("Chongqing Shui On Tiandi") and has accounted for the remaining 19.8% interests as interests in associate at its fair value at the date when control was lost.

(b) These loans to associates represent the loans to subsidiaries of Richcoast Group Limited ("Richcoast"), an associate of the Group and its subsidiaries (collectively referred to the "Richcost Group"), for financing the development and operation of Dalian Tiandi project in Dalian, the PRC. The Dalian Tiandi project is an integrated mixed-use development in Dalian and it comprises office, retail, residential and hotel/service apartments. The principal activities of Richcoast are strategic to the Group's activities as the Group has determined to conduct its property development activities in Dalian through its strategic investment in Richcoast.

Pursuant to the joint venture agreement ("Joint Venture Agreement") dated 25 May 2007 entered into among the three shareholders of Richcoast, being Innovate Zone Group Limited ("Innovate Zone"), an indirect subsidiary of the Company, Main Zone Group Limited ("Main Zone"), a direct wholly-owned subsidiary of SOCAM Development Limited ("SOCAM", an associate of SOCL) and Many Gain International Limited ("Many Gain"), an independent third party, the loans are unsecured, interest-free and have no fixed terms of repayment until Many Gain has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rate of 7.29% (2016:7.29%) per annum.

(c) These loans to associates, representing the loans to subsidiaries of Richcoast, are unsecured, carry interest at rates ranging from 4.79% to 5.23% (2016: 4.79% to 5.23%) per annum and have no fixed terms of repayment.

(d) The amounts due from subsidiaries of Richcoast are non-trade nature, unsecured, interest free and repayable on demand, except for an aggregate amount of RMB1,355 million (2016: RMB1,589 million) which carries interest at rates ranging from 4.79% to 5.23% (2016: 4.79% to 5.23%) per annum.

(e) As at 31 December 2016, the Directors of the Company expected that these loans to associates and amounts due from associates will not be repayable within twelve months from the end of the reporting period and are therefore classified as non-current assets.

During the year ended 31 December 2017, the Group had entered an agreement with Yida China Holdings Limited ("億達中國控股有限公司") to dispose of the entire interest and the related loans to Richcoast. The transaction has not yet been completed by the end of the reporting period and the related balances were reclassified as "assets classified as held for sale". An impairment loss on loans to associates and amounts due from associates amounting to RMB 524 million (2016: nil) with reference to the consideration to be received from the disposal was recognised in profit or loss during the year.

16. INTERESTS IN ASSOCIATES (CONTINUED)

Particulars of the Group's principal associates at 31 December 2017 and 31 December 2016 are as follows:

Name of associate	Form of legal entity	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group 2017	2016	Place of incorporation/ registration and operations	Principal activities
Richcoast (notes 1 and 2)	Limited liability company	61.54%^	61.54%	BVI	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%^	48%	PRC	Software park development
Dalian Ruisheng Software Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%^	48%	PRC	Software park development
Dalian Delan Software Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%^	48%	PRC	Software park development
Dalian Jiadao Science & Technology Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%^	48%	PRC	Software park development
Dalian Software Park Shuion Fazhan Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%^	48%	PRC	Software park development
Dalian Software Park Shuion Kaifa Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%^	48%	PRC	Software park development
Chongqing Shui On Tiandi Real Estate Development Co., Ltd. (note 16(a))	Limited liability company	19.8%	–	PRC	Real Estate Development

Notes:

1. Pursuant to the terms of the Joint Venture Agreement, the Board of Directors of Richcoast consists of four representatives designated by Innovate Zone, three representatives designated by Main Zone, and three representatives by Many Gain. The Board is responsible for managing the business and affairs of the Richcoast Group, establishing the strategic direction, policies of, and operating procedures of the Richcoast Group, and shall decide on matters by a simple majority vote. Accordingly, the Group has significant influence over Richcoast by virtue of its contractual right to appoint four out of ten Directors to the Board of Richcoast.
2. Pursuant to the Joint Venture Agreement, Richcoast is owned as to 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone and Many Gain, respectively, for the development and operation of Dalian Tiandi project.
3. These companies are non-wholly owned subsidiaries of Richcoast.

^ During the year ended 31 December 2017, the Group had entered into an agreement with Yida China Holdings Limited ("億達中國控股有限公司") to dispose of the entire interest and the related loans to Richcoast. The transaction has not yet been completed up to the end of reporting period and the related balances were reclassified as "assets classified as held for sale".

16. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised consolidated financial information of Chongqing Shui On Tiandi for the year ended 31 Decmber 2017 is set out below:

	2017 RMB'million
Current assets	4,643
Non-current assets	5
Current liabilities	1,325
Non-current liabilities	340
Net assets	2,983
Revenue	–
Loss and total comprehensive expense for the year	13

Reconciliation of the above summarised financial information to the carrying amount of the interests in Chongqing Shui On Tiandi recognised in the consolidated financial statements:

	2017 RMB'million
Net assets of Chongqing Shui On Tiandi	2,983
Proportion of the Group's ownership interest in Chongqing Shui On Tiandi	19.8%
	591
Add: Difference between interest in Chongqing Shui On Tiandi recognised initially and the net assets of Chongqing Shui On Tiandi shared by the Group (note)	439
Carrying amount of the Group's interest in Chongqing Shui On Tiandi	1,030

Note:
The difference between net assets attributable to the Group and the carrying amount of the Group's interest in Chongqing Shui On Tiandi is RMB439 million is arising from the initial measurement of such interests at its fair value at the date when control was lost.

The summarised consolidated financial information of Richcoast and its subsidiaries for the year ended 31 December 2016, which is prepared in accordance with IFRSs, is set out below:

	2016 RMB'million
Current assets	5,001
Non-current assets	7,947
Current liabilities	5,877
Non-current liabilities	5,833
Net assets attributable to:	
Shareholders of Richcoast	791
Non-controlling interests	447
	1,238
Revenue	700
Loss and total comprehensive expense for the year	(569)
Attributable to:	
Shareholders of Richcoast	(468)
Non-controlling interests	(101)
	(569)

16. INTERESTS IN ASSOCIATES (CONTINUED)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	2016 RMB'million
Total assets less total liabilities of Richcoast	1,238
Less: Non-controlling interests in Richcoast	(447)
Equity attributable to shareholders of Richcoast	791
Proportion of the Group's ownership interest in Richcoast	61.54%
	487
Elimination of unrealised interest expense capitalised as part of the cost of properties under development	(108)
Carrying amount of the Group's interest in Richcoast	379

17. INTERESTS IN JOINT VENTURES/LOANS TO/AMOUNTS DUE FROM JOINT VENTURES

	2017 RMB'million	2016 RMB'million
Investment in joint ventures		
– Cost of investment, unlisted	3,975	30
– Share of post-acquisition results, net of effect on elimination of unrealised interest income	(35)	(3)
	3,940	27
Loans to joint ventures		
– Unsecured, interest bearing at 110% of People's Bank of China ("PBOC") Prescribed Interest Rate and repayable on demand	1,899	–
– Unsecured, interest bearing at 100% of PBOC Prescribed Interest Rate and repayable in 2018	–	756
	5,839	783
Loans to joint ventures		
– Unsecured, interest bearing at 100% of PBOC Prescribed Interest Rate and repayable in 2018	654	–
Amounts due from joint ventures		
– Unsecured, interest-free and repayable on demand	751	6
	1,405	6

17. INTERESTS IN JOINT VENTURES/LOANS TO/AMOUNTS DUE FROM JOINT VENTURES (CONTINUED)

Particulars of the Group's joint ventures at 31 December 2017 and 31 December 2016 are as follows:

Name of joint venture	Proportion of voting rights held by the Group		Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group		Place of incorporation/ registration and operations	Principal activities
	2017	2016	2017	2016		
上海永麟投資管理有限公司 Shanghai Yong Lin Investment Management Limited ("Shanghai Yong Lin") (Note (a))#	50%	50%	19.8%	19.8%	PRC	Property management and other activities
大連億達德基裝飾工程有限公司	50%	50%	50%	50%	PRC	Provision of decoration services
Hua Xia Rising (Hong Kong) Limited	50%	N/A	50%	N/A	Hong Kong	Investment holding
上海磐興管理咨詢有限公司 (Note (b)) (Shanghai Panxing Tiandi Co., Ltd)# ("Shanghai Panxing")#	50%	N/A	49%	N/A	PRC	Property management and other activities
上海景綽企業發展有限公司 (Note (c)) ("Shanghai Jingchuo")#	40%	N/A	49%	N/A	PRC	Property management and other activities
Interests pertaining to a net portfolio of certain properties in Shanghai Rui Hong Xin Cheng Co., Ltd.("Shanghai RHXC") (Note (d))	50%	N/A	49.5%	N/A	PRC	Property development and other activities

(a) Pursuant to the memorandum and articles of association of Shanghai Yong Lin, the Group, through a subsidiary which the Company owns 78.11% equity interest, and the other equity owner (the "JV Partner", an independent third party which owns 80.2% equity interest in Shanghai Yong Lin) are considered to have joint control over Shanghai Yong Lin as major decisions that relate to the relevant activities of Shanghai Yong Lin require unanimous consent from the Group and the JV Partner.
Shanghai Yong Lin is principally engaged in the property management and other activities in respect of relocation activities in Shanghai. Its principal activities are considered as strategic to the Group's activities as the relocation activities are carried out in the vicinity of one of the Group's property projects.

(b) Pursuant to the joint venture agreement and articles of association of Shanghai Panxing, the Group, through a wholly owned subsidiary, and the other equity owner (the "JV Partner", an independent third party which own 51% equity interest in Shanghai Panxing) are considered to have joint venture control over Shanghai Panxing as major decisions that relate to the relevant activities of Shanghai Panxing require unanimous consent from the Group and the JV Partner.

(c) Pursuant to the joint venture agreement and articles of association of Shanghai Jing Chuo, the Group, through a wholly owned subsidiary, and the other equity owners (the "JV Partners", two independent third parties which own 20%, 31% equity interest in Shanghai Jingchuo respectively) are considered to have joint venture control over Shanghai Jingchuo as major decisions that relate to the relevant activities of Shanghai Jingchuo require unanimous consent from the Group and the JV Partners.

(d) On 19 December 2017, the Group entered into an agreement with an independent third party pursuant to which the Group would effectively dispose its 49.5% interest pertaining to a net portfolio of certain properties via disposal of 21.4% equity interests in Shanghai RHXC, a subsidiary in which the Group originally owned 99% equity interest. The transaction was completed on 27 December 2017, and the Group accounted for this as a joint venture upon completion. According to the joint venture agreement, the Group and the other equity owner (the "JV Partner", an independent third party which own 49.5% equity interest pertaining to a net portfolio of certain properties) are considered to have joint venture control over the net portfolio of certain properties as major decisions that relate to the relevant activities of the net portfolio of certain properties require unanimous consent from the Group and the JV Partner.

For identification only

Summarised financial information of a material joint venture:

Summarised financial information in respect of the Group's material joint venture, the interests pertaining to a net portfolio of certain properties in Shanghai RHXC, is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

17. INTERESTS IN JOINT VENTURES/LOANS TO/AMOUNTS DUE FROM JOINT VENTURES (CONTINUED)

Interests pertaining to a net portfolio of certain properties in Shanghai RHXC:

	2017 RMB'million
Current assets	86
Non-current assets	10,036
Current liabilities	542
Non-current liabilities	1,740
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	78
Current financial liabilities (excluding trade and other payables and provisions)	13
Non-current financial liabilities (excluding trade and other payables and provisions)	1,740
Revenue	3
Profit for the year	24
Other comprehensive income for the year	–
Total comprehensive income for the year	24
Dividends received from Shanghai RHXC during the year	–

The above profit for the year includes the following:

	2017 RMB'million
Depreciation and amortisation	–
Interest income	–
Interest expense	1
Income tax expense	1

Reconciliation of the above summarised financial information to the carrying amount of the interests pertaining to a net portfolio of certain properties in Shanghai RHXC recognised in the consolidation financial statements:

	2017 RMB'million
Net assets of interests pertaining to a net portfolio of certain properties in Shanghai RHXC	7,840
Proportion of the Group's ownership interest pertaining to a net portfolio of certain properties in Shanghai RHXC	49.5%
Carrying amount of the Group's interest pertaining to a net portfolio of certain properties in Shanghai RHXC	3,881

Aggregate information of joint ventures that are not individually material:

	2017 RMB'million	2016 RMB'million
The Group's share of loss from continuing operations	35	3
The Group's share of post-tax profit or loss from discontinued operations	–	–
The Group's share of other comprehensive expenses	–	–
The Group's share of total comprehensive expenses	35	3

Aggregate carrying amount of the Group's interests in these individually not material joint ventures:

	2017 RMB'million	2016 RMB'million
Investment in joint ventures	59	27

18. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	2017 RMB'million	2016 RMB'million
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	277	263
Trade receivables	87	126
Deposits for acquisition of a subsidiary (note 44)	630	–
Prepayments of relocation costs (note)	–	292
Other receivables	94	56
	1,088	737
Current accounts receivable comprise:		
Trade receivables	230	663
Prepayments of relocation costs (note)	6,004	9,700
Other deposits, prepayments and receivables, mainly including prepaid value added tax of RMB60 million (2016: RMB45 million)	831	1,003
Receivables from disposals of subsidiaries (notes 37(a), (f))	380	1,081
Rental receivable in respect of rent-free period	75	45
	7,520	12,492

Note:
The amount represents monies paid to a few relocation agents for clearing the land of the current occupants in respect of a property development project in Shanghai. 93% and 4% (2016: 89% and 10%) of the total outstanding balance are paid to two of the relocation agents.
The balances represent the amounts that will be capitalised to properties under development for sale and investment properties as soon as the relocation is completed. Such relocation process in respect of the land portion which will be developed for sale is in accordance with the Group's normal operating cycle and accordingly the related relocation costs are classified as current assets. The balances are not expected to be realised within twelve months from the end of the reporting period.

Trade receivables comprise:

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

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

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

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

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

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

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

19. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2017 RMB'million	2016 RMB'million
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	7,808	8,083
Less: progress billings	(7,682)	(7,986)
Analysed for reporting purposes as amounts due from contract customers	126	97

At 31 December 2017, retentions held by customers for contract works amounted to RMB15 million (2016: RMB21 million).

20. BANK BALANCES AND CASH /PLEDGED BANK DEPOSITS

	2017 RMB'million	2016 RMB'million
Bank and cash – unrestricted	13,594	9,653
Bank balances – restricted	1,013	1,435
	14,607	11,088

Restricted bank balances as at 31 December 2017 and 2016 include:

- monies placed by the Group with banks amounting to RMB768 million (2016: RMB1,435 million) which can only be applied to designated property development projects of the Group.

- monies placed in designated bank accounts for the settlement of tax in relation to the disposal of a subsidiary amounting to RMB245 million (2016: nil) (note 37(c)).

Bank balances and restricted bank balances carry interest at market rates which range from 0.30% to 1.89% (2016: 0.30% to 1.755%) per annum. Pledged bank deposits carry interest at fixed rates which range from 0.30% to 2.35% (2016: 0.30% to 1.15%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. Deposits amounting to RMB2,134 million (2016: RMB4,024 million) have been pledged to secure long-term bank loans and are therefore classified as non-current assets. The remaining deposits have been pledged to secure short-term bank loans and are classified as current assets.

21. PROPERTIES HELD FOR SALE

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at the lower of cost or net realisable value.

22. AMOUNTS DUE FROM/TO RELATED COMPANIES

	2017 RMB'million	2016 RMB'million
Amounts due from related companies comprise:		
Fellow subsidiaries	101	214
Investees of SOCAM	541	594
	642	808
Amounts due to related companies comprise:		
Fellow subsidiaries	6	102
Subsidiaries of SOCAM	341	310
	347	412

An aggregate amount of RMB110 million as at 31 December 2017 (2016: RMB107 million) included in amounts due from related companies are trade nature and with the credit period of 40 days granted by the Group, of which nil (2016: 2%) are aged less than 90 days, and 100% (2016: 98%) are aged over 90 days, as compared to when revenue was recognised.

An aggregate amount of RMB532 million as at 31 December 2017 (2016: RMB701 million) included in amounts due from related companies are non-trade nature, unsecured, interest free and repayable on demand.

In the opinion of the Directors of the Company, the amounts due from related companies amounting to RMB642 million (2016: RMB808 million) are expected to be repaid within twelve months after the end of the reporting period and accordingly the amounts are classified as current assets.

Amounts due to related companies are non-trade nature, unsecured, interest free and repayable on demand.

23. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest free and repayable on demand.

24. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2017 RMB'million	2016 RMB'million
Current portion comprise:		
Trade payables	3,505	4,374
Relocation cost payables	1,552	852
Retention payables (note)	381	532
Deed tax, business tax and other tax payables	353	377
Deposits received and receipt in advance from property sales	2,889	8,347
Deposits received and receipt in advance in respect of rental of investment properties	603	580
Deposits received from disposal of associates (note 38)	343	–
Value-added tax payable	90	305
Deferred consideration of acquisition of subsidiaries	–	2,845
Other payables and accrued charges	653	673
	10,369	18,885
Non-current portion comprise:		
Accounts payable and accrued charges	–	24

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

24. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES (CONTINUED)

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

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

25. BANK BORROWINGS

	2017 RMB'million	2016 RMB'million
Bank borrowings repayable within a period of:		
– Not more than 1 year or on demand	**9,596**	6,434
– More than 1 year, but not exceeding 2 years	**13,661**	5,867
– More than 2 years, but not exceeding 5 years	**4,045**	12,890
– More than 5 years	**3,691**	4,620
Total bank borrowings	**30,993**	29,811
Less: Amount due within one year shown under current liabilities	**(9,596)**	(6,434)
Amount due after one year	**21,397**	23,377

The carrying amounts of the Group's bank borrowings are analysed as follows:

Denominated in	Interest rate	2017 RMB'million	2016 RMB'million
RMB	80% to 125% (2016: 80% to 125%) of PBOC Prescribed Interest Rate	**19,365**	25,049
RMB	Fixed rates at 6.03%-9.00% (2016: at 9%)	**3,743**	454
HK$	Hong Kong Interbank Offered Rates ("HIBOR") plus 3.25% to 4.0% (2016: HIBOR plus 2.0% to 4.4%)	**3,413**	2,592
US$	London Interbank Offered Rates ("LIBOR") plus 2.1% to 4.0% (2016: LIBOR plus 1.7% to 4.5%)	**4,472**	1,716
		30,993	29,811

As at 31 December 2017, the weighted average effective interest rate on the bank borrowings was 5.19% (2016: 4.90%), and are further analysed as follows:

	2017	2016
Denominated in RMB	**5.3%**	4.9%
Denominated in HK$	**4.9%**	4.7%
Denominated in US$	**4.8%**	4.6%

The bank borrowings at the end of the reporting period are secured by the pledge of assets as set out in note 40.

26. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares of US$0.0025 each				
At 1 January 2016, 31 December 2016 and 1 January 2017	12,000,000,000	30,000	8,026,630,189	20,066
Exercise of share options (note 39)	–	–	293,400	1
Issue of shares in lieu of cash dividends	–	–	34,380,935	86
At 31 December 2017	**12,000,000,000**	**30,000**	**8,061,304,524**	**20,153**

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

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

27. RESERVES

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the group reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserves comprise:

The difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in equity upon the earlier of the disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.

(c) Other reserves mainly comprise:

(i) An amount of RMB483 million, which represents payable waived in 2004 by Shui On Investment Company Limited ("SOI", a shareholder of the Company, which is wholly owned by SOCL), in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of SOI, and recharged to certain subsidiaries of the Company.

(ii) A debit amount of RMB21 million represents capital contribution arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a non-controlling shareholder of a subsidiary in 2005.

(iii) A debit amount of RMB99 million represents non-distributable reserve arising from the capitalisation of retained earnings as registered capital of a subsidiary in the PRC in 2006.

(iv) A credit amount of RMB34 million recognised in the year ended 31 December 2010, which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest of 16.8% in Yang Pu Centre Development Co., Ltd. being acquired from the non-controlling interests in 2010.

27. RESERVES (CONTINUED)

(c) Other reserves mainly comprise: (continued)

(v) A credit amount of RMB188 million recognised against the other reserve in the year ended 31 December 2012, which arose from the Group's acquisition of additional interest of 4.81% in Foresight Profits Limited ("Foresight") through capital injection in Foresight. Following the acquisition of the entire non-controlling interest in Foresight during the prior year, all balances of non-controlling interest related to Foresight are derecognised and hence the corresponding adjustment of RMB188 million is made to other reserve.

(vi) A credit amount of RMB138 million recognised in the year ended 31 December 2012, which represents the difference between the fair value of the consideration received and the carrying amount of the net assets attributable to the partial disposal of equity interests of 49% in Glory Land Investments Limited ("Glory Land", an indirect wholly-owned subsidiary of the Company which is engaged in property development in Foshan, the PRC). The 49% equity interests in Glory Land was acquired during the year ended 31 December 2015 and a debit balance of RMB80 million, representing the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to such acquisition, was recognised in "other reserves". The net difference of RMB58 million previously recognised in other reserve was transferred to retained earnings.

(vii) A debit amount of RMB43 million recognised in the year ended 31 December 2013, which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in Shanghai Bai-Xing Properties Co., Ltd. ("Bai-Xing"), Shanghai Ji-Xing Properties Co., Ltd. ("Ji-Xing"), Shanghai Tai Ping Qiao Properties Management Co., Ltd. ("TPQM"), Shanghai Xin-tian-di Plaza Co., Ltd. ("XTD Plaza"), Shanghai Xing Bang Properties Co., Ltd. ("Xing Bang") and Shanghai Xing-Qi Properties Co., Ltd. ("Xing-Qi"). RMB9 million in relation to Xing-Bang was derecognised following the disposal of Brixworth International Limited during the year ended 31 December 2015.

(viii) A credit amount of RMB120 million recognised in the year ended 31 December 2014, which represents the difference between the fair value of consideration paid and the decrease in the non-controlling shareholders of subsidiaries.

(ix) A debit amount of RMB57 million recognised in the year ended 31 December 2015, which represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Beaming Leader Limited.

(x) A debit amount of RMB14 million recognised in the year ended 31 December 2017, which represents the difference between the fair value of the consideration received and the increase in the non-controlling shareholders of subsidiaries of RMB1,117 million which arose from the Group's partial disposal of equity interests of 49% in Bright Power Enterprises Limited and Merry Wave Limited (indirectly wholly-owned subsidiaries of the Company which are engaged in property development in Shanghai, the PRC).

(xi) A debit amount of RMB276 million recognised in the year ended 31 December 2017, which represents the exchange loss on redemption of perpetual capital securities.

28. SENIOR NOTES

	2017 RMB'million	2016 RMB'million
At 1 January	**17,312**	14,655
Issue of new senior notes	**3,379**	1,653
Less: transaction costs directly attributable to issue of senior notes	**(10)**	(5)
Interest charged during the year	**1,372**	1,424
Loss on early redemption of senior notes	**235**	–
Less: interest paid	**(1,270)**	(1,314)
Less: repayment of senior notes	**(9,484)**	–
Exchange translation	**(828)**	899
At 31 December	**10,706**	17,312
Less: amount due within one year shown under current liabilities	**(5,781)**	(6,023)
Amount due after one year	**4,925**	11,289

As at 31 December 2017, the effective interest rates on the senior notes ranged from 4.7% to 9.8% (2016: 4.7% to 9.8%) per annum.

28. SENIOR NOTES (CONTINUED)

ISSUANCE OF SENIOR NOTES DURING THE CURRENT PERIOD

On 6 February 2017, Shui On Development (Holding) Limited ("SODH") issued US$500 million senior notes to independent third parties with a maturity of four years due on 6 February 2021 (the "2021 US$500 million Notes"). The 2021 US$500 million Notes bear coupon at 5.70% per annum payable semi-annually in arrears.

PRINCIPAL TERMS OF 2021 US$500 MILLION NOTES

The 2021 US$500 million Notes are:

(a) senior in right of payment to any existing and future obligations of SODH expressly subordinated in right of payment to the 2021 US$500 million Notes;

(b) ranked at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SODH (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis, subject to certain limitations;

(d) effectively subordinated to the secured obligations (if any) of the Company and SODH, to the extent of the value of the assets serving as security therefor; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SODH.

At any time prior to 6 February 2021, the 2021 US$500 million Notes may be redeemed at the option of SODH, in whole or in part, at a redemption price equal to the sum of 100% of the principal amount of the 2021 US$500 million Notes plus accrued and unpaid interest (if any) and an Applicable Premium (see the definition below). In the opinion of the Directors of the Company, the fair value of the option to early redeem the 2021 US$500 million Notes is insignificant at initial recognition and at the end of the reporting period.

"Applicable Premium" means with respect to the 2021 US$500 million Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2021 US$ 500 million Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2021 US$500 million Notes through the maturity date of the 2021 US$500 million Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of the senior notes redeemed on such redemption date.

At any time and from time to time prior to 6 February 2021, SODH may redeem up to 35% of the aggregate principal amount of the 2021 US$500 million Notes at a redemption price of 105.70% of the principal amount of the 2021 US$500 million Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In the opinion of the Directors of the Company, the fair value of the option to early redeem the 2021 US$500 million Notes is insignificant at initial recognition and at the end of the reporting period.

MODIFICATION ON TERMS OF CERTAIN SENIOR NOTES ISSUED IN THE PRIOR PERIODS

During the year ended 31 December 2017, SODH has been soliciting consents from the respective holders of each series of the US$500,000,000 8.70% Senior Notes Due 2017, US$637,027,000 8.70% Senior Notes Due 2018, US$550,000,000 9.625% Senior Notes Due 2019, US$202,487,000 9.750% Senior Notes Due 2020 to, among other things, modify the covenants provided under provisions of the Indentures relating to the covenants entitled "Limitation on Indebtedness and Preferred Stock", "Limitation on Restricted Payments", "Limitations on Sales and Issuance of Capital Stock", "Limitation on Sale and Leaseback Transactions", "Limitation on Asset Sales", "Designation of Restricted and Unrestricted Subsidiaries" and the relevant definitions under the section entitled "Definitions" of consent solicitations announcement of the Company dated 27 March 2017.

Such change in terms is not accounted for an extinguishment of the original senior notes, with RMB42 million fees incurred and adjusted to the carrying amount of the senior notes and are amortized over remaining terms of the modified senior notes.

28. SENIOR NOTES (CONTINUED)

In addition, the Group settled RMB2,500 million 6.875% Senior Notes Due 2017 at maturity date, early redeemed US$202,487,000 (RMB1,379 million) 9.750% Senior Notes Due 2020 at a redemption price of 104.874%, redeemed US$500,000,000 (RMB3,388 million) 8.70% Senior Notes Due 2017 at a redemption price of 102.14%, and early redeemed US$300,000,000 (RMB1,982 million) 9.625% Senior Notes Due 2019 at a redemption price of 104.813%. The difference between the early redemption consideration paid and the carrying amount of senior notes derecognized, amounting to RMB 235 million, is included in "other gains and losses".

29. CONVERTIBLE PERPETUAL SECURITIES AND WARRANTS

In October 2013, the Company and China Xintiandi Holding Company Limited ("China Xintiandi", the then wholly-owned subsidiary of the Company) entered into a set of agreements with an independent third party (the "Investor"), pursuant to which the Investor conditionally agreed to subscribe for the following for US$495 million (net of closing fee to the Investor of US$5 million):

- convertible perpetual securities issued by China Xintiandi with the aggregate principal amount of US$500 million; and
- 415 million warrants issued by the Company.

The transaction was completed on 17 February 2014 ("closing date"). The principal terms of the convertible perpetual securities and warrants were disclosed in a circular issued by the Company dated 30 November 2013.

The convertible perpetual securities were recognised as equity instruments of a subsidiary in the Group's consolidated financial statements as the Group did not have a contractual obligation to deliver cash or other financial assets arising from the issue of the convertible perpetual securities.

The warrants are classified as derivative liabilities and measured at fair value at initial recognition and at subsequent reporting dates.

On the initial recognition of the convertible perpetual securities and warrants, the aggregate consideration of US$495 million (equivalent to RMB3,025 million translated using the spot rate as at 17 February 2014) were allocated to the convertible perpetual securities and warrants taking into account the fair value of warrants of US$21 million (equivalent to RMB129 million translated using the spot rate as at 17 February 2014) at initial recognition with the residual of US$474 million (equivalent to RMB2,896 million translated using the spot rate as at 17 February 2014) being allocated to the convertible perpetual securities. Transaction costs of RMB94 million and RMB4 million, respectively, have been allocated to convertible perpetual securities and warrants. Transaction costs allocated to the convertible perpetual securities are recognised in equity whereas transaction costs allocated to the warrants are recognised as expenses when they are incurred.

KEY TERMS OF THE CONVERTIBLE PERPETUAL SECURITIES

The convertible perpetual securities were issued in registered form in denominations of principal amount of US$100,000 each and integral multiples thereof.

The convertible perpetual securities do not have any maturity date.

China Xintiandi has the option to pay distributions from and including the issue date (i.e. 17 February 2014), semi-annually in arrears on each distribution payment date in cash at the following distribution rate:

- in respect of the period from, and including the issue date to, but excluding 17 February 2019, 8.3 per cent per annum;
- in respect of the period from, and including 17 February 2019, 20 per cent per annum.

If China Xintiandi elects not to pay a distribution or does not pay a distribution on two separate distribution payment dates, China Xintiandi shall not, for as long as any convertible perpetual securities are outstanding, declare or pay in cash or in kind any dividend distribution or make any other payment on, and shall procure that, no dividend, distribution or other payment is made on, any of its junior securities or parity obligations, or redeem, reduce, cancel or buy-back or acquire for any consideration any of its junior securities, or parity obligations, unless and until it is permitted to do so by written consent of the holders of the majority of the convertible perpetual securities then outstanding.

29. CONVERTIBLE PERPETUAL SECURITIES AND WARRANTS (CONTINUED)

KEY TERMS OF THE CONVERTIBLE PERPETUAL SECURITIES (CONTINUED)

The convertible perpetual securities may be converted into ordinary shares of China Xintiandi at any time at the option of the holders which, if converted in full, will represent 21.90 per cent of the share capital of China Xintiandi. The convertible perpetual securities will convert automatically into ordinary shares of China Xintiandi upon a qualified IPO or a listing approved by the holders ("China Xintiandi Listing") at the same pre-determined conversion price. If China Xintiandi completes a listing of China Xintiandi that is not a China Xintiandi Listing, the convertible perpetual securities will remain outstanding after such listing of China Xintiandi.

The convertible perpetual securities may be redeemed at China Xintiandi's option beginning on the fifth anniversary of the closing date by (i) paying to the holders the applicable redemption price of such outstanding convertible perpetual securities to be redeemed; or (ii) if no China Xintiandi Listing has occurred by the time of such redemption, procuring the issue by the Company a certain number of ordinary shares of the Company which has a value equal to the applicable redemption price for the convertible perpetual securities to be redeemed.

China Xintiandi has the right to redeem the convertible perpetual securities at their applicable redemption price if it becomes liable to pay additional tax amounts in respect of such convertible perpetual securities, subject to certain circumstances.

For so long as a holder holds convertible perpetual securities representing 10% of the ordinary shares of China Xintiandi on a fully diluted basis, upon the occurrence of a Change of Control Event (which happens when either: (i) Mr. Vincent Lo, his family and his and their affiliated trusts and companies (the Permitted Party) cease to control, either directly or indirectly through one or more subsidiaries, more than 30 per cent of the total voting power of the Company; (ii) any person or persons other than the Permitted Party acquires more voting rights of the issued share capital of the Company than the Permitted Party; or (iii) any person or persons other than the Permitted Party acquires more voting rights of the issued share capital of China Xintiandi than the Permitted Party), the Investor may request the Company to redeem all the convertible perpetual Securities it holds. Upon such redemption request, China Xintiandi may elect to either: (i) redeem the convertible perpetual securities at the applicable redemption price (see the definition above); or (ii) leave the convertible perpetual securities outstanding, in which case the applicable distribution rate (please see above) will increase by 4%.

In addition, as part of the agreements, the Investor has been given a right to exchange the convertible perpetual securities for a certain number of ordinary shares of the Company at any time during a certain period of time starting from and including the third anniversary of the issue date, or when there is a Change of Control Event at an initial exchange price of HK$3.25 subject to certain anti-dilutive adjustments. The Company then has a right to exchange the convertible perpetual securities by:

- paying to the Investor a cash redemption premium of an amount (in US dollars) equal to 0.7% per annum on the aggregate principal amount of the convertible perpetual securities being exchanged; and

- at the Company's election, either (i) paying to the Investor the applicable redemption amount of such convertible perpetual securities (in US dollars) in cash; or (ii) exchanging the convertible perpetual securities at the above-mentioned predetermined exchange price.

During the year ended 31 December 2015, convertible perpetual securities with a principal amount of US$499,900,000 have been converted into newly issued ordinary shares of China Xintiandi, representing 21.89% of the enlarged share capital of China Xintiandi. An amount of RMB1,516 million, representing the difference between the carrying amount of the convertible perpetual securities derecognised amounting to RMB2,802 million and the net assets of China Xintiandi attributable to non-controlling interest after conversion of RMB4,318 million, were recognised directly in retained earnings.

Any distributions made by China Xintiandi to the Investor will be recognised in equity. The Group has made distribution payments amounting to nil (2016: RMB15 million) during the year ended 31 December 2017.

29. CONVERTIBLE PERPETUAL SECURITIES AND WARRANTS (CONTINUED)

KEY TERMS OF THE WARRANTS

The 415 million warrants are exercisable for 415 million ordinary shares of the Company from the closing date until the third anniversary of the closing date at an exercise price of HK$2.85 per ordinary share subject to certain anti-dilutive adjustments. Upon exercise of the warrants, to the extent that the-then market value of each ordinary share of the Company exceeds the exercise price of the warrant by HK$3.62, the number of ordinary shares to be issued will be reduced such that the gain to be received by the holder of the warrant will be capped at HK$3.62 per warrant.

Upon exercise of any warrant by a warrantholder, the Company, as the issuer, may, at its sole discretion, settle its obligations with respect of the warrants in one of the following manners:

- deliver a certain number of ordinary shares of the Company to the warrantholders based on the above-mentioned exercise price with the HK$3.62 cap mechanism;

- deliver a certain number of ordinary shares of the Company to the warrantholders with an aggregate value (calculated based on the market price of ordinary shares of the Company at the time of exercise) equal to the difference between (i) the aggregate value (calculated based on the market price of the ordinary shares of the Company at the time of exercise) of the ordinary shares underlying the warrants being exercised (taking into account the above-mentioned HK$3.62 cap mechanism) and (ii) the aggregate amount of the exercise price to be paid for the warrants being exercised; or

- deliver cash to the warrantholders equal to the difference between (i) the aggregate value (calculated based on the market price of the ordinary shares of the Company at the time of exercise) of the ordinary shares underlying the warrants being exercised (taking into account the above-mentioned HK$3.62 cap mechanism) and (ii) the aggregate amount of the exercise price to be paid for the warrants being exercised.

All warrants had been expired on 16 February 2017.

The warrants issued by the Company are measured at fair value at initial recognition. At the end of each reporting date, the warrants are measured at fair value, with changes in fair value being recognised in profit or loss. The movements of the fair value of the derivative liabilities represented by warrants during the year are as below:

	2017 RMB'million	2016 RMB'million
Fair value recognised at 1 January	–	32
Unrealised fair value gain recognised in profit or loss	–	(32)
Fair value at 31 December (included in "derivative financial instruments – current")	–	–

The Company has engaged an independent qualified valuer to determine the fair value of the warrants as at 31 December 2016. The fair value of warrants as at 31 December 2016 was determined based on Black-Scholes option pricing method. Key inputs used in arriving at the fair values are as follows:

	2016
Share price of the Company as at 31 December	HK$1.67
Risk free rate	0.55%
Exercise price	HK$2.85
Warrant cap	HK$6.47
Expected dividend yield	2.34%
Volatility	21%
Warrant life	0.13 year

The above risk free rates were determined with reference to yields of 0.13 year Hong Kong Exchange Fund Notes available as of 31 December 2016. The expected volatility was determined based on the historical volatility of the Company's share price for the past 0.13 year.

The fair value of warrants as 31 December 2016 was categorised as Level 3 under the fair value hierarchy set out in IFRS 13. There were no transfers in or out of Level 3 during both years presented.

30. CONVERTIBLE PERPETUAL CAPITAL SECURITIES

On 4 June 2015, SODH issued convertible perpetual capital securities ("CPCS") with an aggregate principal amount of US$225 million (equivalent to approximately RMB1,376 million translated using the spot rate as at 4 June 2015). The CPCS are guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SODH. Transaction costs relating to the issue of CPCS amounted to approximately RMB37 million.

KEY TERMS OF THE CPCS

Subject to the below, distributions shall be paid the semi-annually in arrears on each distribution payment date in cash at the following distribution rates:

- in respect of the period from, and including the issue date to, but excluding 4 June 2020, 7.5 per cent per annum;

- in respect of the periods (i) from, and including 4 June 2020 to, but excluding, the immediately following Reset Date (i.e. 4 June 2020 and each day falling every five calendar years after 4 June 2020) and (ii) from, and including each Reset Date falling thereafter to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate (i.e. the rate for U.S. Dollars Swaps with a maturity of 5 years from the relevant reset rate plus the 5.809% Initial Spread plus the 3.00% Step-Up Margin per annum).

SODH has, at its sole discretion, a right to elect to defer a distribution, unless a compulsory distribution payment event has occurred. If on any distribution payment date SODH elects not to pay a distribution, SODH and the Company, shall not, and the Company shall procure that no dividend, distribution or other payment is made on, any of its junior securities or parity obligations, or to redeem, reduce, cancel or buy-back or acquire for any consideration any of its junior securities, or parity obligations, unless and until SODH and the Company satisfies in full all arrears of distribution and the interest thereof or it is permitted to do so by an extraordinary resolution of the holders of the CPCS.

A compulsory distribution payment event happens when (i) a discretionary dividend, distribution or other payment has been paid or declared by the Company or (ii) the Company or SODH has at its discretion repurchased, redeemed or otherwise acquired any of its junior securities, preference shares or parity securities.

The CPCS can be converted into ordinary shares of the Company at any time on or after 15 July 2015 at the option of the holders at a fixed conversion price of HK$3.2280 (at a fixed exchange rate of HK$7.7528 to US$1) per share of the Company, subject to certain anti-dilutive adjustments. Adjustments have been made to the conversion price from HK$3.04 to HK$2.92 as a result of the dividends paid by the Company to its ordinary shareholders in July 2017 and September 2017.

The CPCS have no fixed redemption date. SODH may at its option redeem all, but not some only, of the CPCS on 4 June 2020 or on any of 4 June or 4 December after 4 June 2020, and in certain specified circumstances specified in the agreements.

In case of occurrence of any delisting or suspension of the trading of the Company's shares for more than 30 consecutive days that were initiated or made by the Company, the holder of CPCS will have the right to require the Company to procure the redemption of the CPCSs.

The CPCS are included in equity in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPCS.

Up to the date of the authorisation of the Group's consolidated financial statements for the year ended 31 December 2017, no CPCS have been converted into ordinary shares of the Company.

Any distributions made by SODH to the holders will be recognised in equity in the consolidated financial statements of the Group. The distribution amounting to RMB114 million (2016: RMB113 million) was paid during the current year.

31. PERPETUAL CAPITAL SECURITIES

PERPETUAL CAPITAL SECURITIES ISSUED IN 2012

On 10 December 2012, SODH issued US$500 million (equivalent to approximately RMB3,137 million) 10.125% guaranteed perpetual capital securities ("2012 Perpetual Capital Securities") at an issue price of 100% of the principal amount. The 2012 Perpetual Capital Securities were guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SODH under the 2012 Perpetual Capital Securities. Distributions on the 2012 Perpetual Capital Securities are paid semi-annually in arrears from 10 June 2013 and can be deferred at the discretion of SODH. The 2012 Perpetual Capital Securities have no fixed maturity and are redeemable at SODH's option on or after 10 December 2017 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company and SODH cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company and SODH. The 2012 Perpetual Capital Securities has been redeemed during the year. An amount of RMB 276 million, representing the difference between the settlement paid and the carrying amount derecognised was included in other reserves.

PERPETUAL CAPITAL SECURITIES ISSUED IN 2017

On 20 June 2017, SODH issued US$600 million (equivalent to approximately RMB4,085 million) 6.40% guaranteed perpetual capital securities ("2017 Perpetual Capital Securities") at an issue price of 100% of the principal amount. The 2017 Perpetual Capital Securities were guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SODH under the 2017 Perpetual Capital Securities. Distributions on the 2017 Perpetual Capital Securities are paid semi-annually in arrears in U.S. dollars on 20 June and 20 December in each year, commencing on 20 December 2017 and can be deferred at the discretion of SODH. The 2017 Perpetual Capital Securities have no fixed maturity and are redeemable at SODH's option on or after 20 June 2022 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company and SODH cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company and SODH.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 RMB'million	2016 RMB'million
Call option to buy back an investment property	**342**	460
Currency forward contracts designated as hedging instruments	**(214)**	343
Cross currency swaps ("CCS")	**–**	(368)
For the purpose of financial statement presentation:		
Non-current assets	**342**	460
Current assets	**–**	343
	342	803
Current liabilities	**214**	368

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CALL OPTION TO BUY BACK AN INVESTMENT PROPERTY

In previous years, the Group disposed of its entire equity interest in a subsidiary, and the related intercompany loans, that indirectly, owned 99% interest in an investment property located in Shanghai, the PRC, to an independent third party for a cash consideration of RMB3,364 million.

In accordance with the relevant sale and purchase agreement entered into in previous years, the Group was granted a call option to repurchase all the equity interest of the disposed subsidiary and the related shareholder's loans within two months before the fifth anniversary or the seventh anniversary of the completion of the disposal (i.e. 18 December 2013), at a price equals to the original consideration plus a premium per annum.

The Group has engaged an independent qualified valuer to estimate the fair value of the option as at 31 December 2017 and 31 December 2016. As at 31 December 2017, the fair value of the call option was estimated to be RMB342 million (2016: RMB460 million). The fair value of the option as at 31 December 2017 and 31 December 2016 are determined using Monte-Carlo simulation with the following key assumptions:

	2017	2016
99% interest of property valuation	**RMB5,891 million**	RMB5,891 million
Time to maturity	**2.97 years**	3.97 years
2.97-year risk-free rate (2016: 3.97-year)	**3.79%**	2.98%
0.97-year forward 2-year risk-free rate (2016: 1.96-year forward 2-year)	**3.78%**	3.16%
Volatility	**5.34%**	5.63%

The property valuation at 31 December 2017 and 31 December 2016 have been arrived at on the basis of valuation carried out by Knight Frank Petty Limited with reference to the fair value of similar properties within the same locality as at that date. The above risk free rates were determined with reference to yields of RMB China government bond. The volatility was determined with reference to the average rent of Premium Grade A office in the same region as the location of the subject investment property.

The call option measured at fair value as at 31 December 2017 and 31 December 2016 is grouped under Level 3. Level 3 fair value measurements are those derived from inputs that are unobservable for the asset or liability.

An increase in the property valuation would result in an increase in the fair value of the call option, and vice versa. If the property valuation is 3% (2016: 3%) higher and lower while all other variables are held constant, the carrying amount of the call option would increase to approximately RMB498 million (2016: RMB612 million) and decrease to approximately RMB223 million (2016: RMB326 million), respectively.

CROSS CURRENCY SWAPS

During the year ended 31 December 2014, the Group entered into cross currency swaps to reduce the risk of currency exchange fluctuation of the Group's senior notes with principal amount of RMB2,500 million and due in 2017 ("2017 RMB Notes"). Under these swaps, the Group would receive interest at a fixed rate of 6.875% per annum based on the principal amount of RMB2,500 million and pay interest semi-annually at fixed rate at 5.840% to 5.975% per annum, based on the notional amount of approximately US$408 million in aggregate. The cross currency swaps have been negotiated to match the settlement period of the 2017 RMB Notes.

The Group has not designated the cross currency swaps of 2017 RMB Notes as hedge. The cross currency swaps have been settled with RMB280 million paid in cash and RMB88 million recognised immediately in profit or loss.

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CURRENCY FORWARD CONTRACTS DESIGNATED AS HEDGING INSTRUMENTS

During the year ended 31 December 2017, the Group entered into several currency forward contracts to reduce currency exchange fluctuation of certain Group's senior notes, accounts payable, bank borrowings and shareholder loan. The currency forward contracts have been negotiated to match the settlement period of those senior notes, accounts payable, bank borrowings and shareholder loan.

During the year ended 31 December 2017, the fair value loss arising from the currency forward contracts of RMB532 million was recognised in other comprehensive income and a loss of RMB24 million was recognised immediately to profit or loss due to imperfect hedge. An amount of RMB372 million has been released from hedge reserve to the profit or loss during the current year.

33. LIABILITIES ARISING FROM RENTAL GUARANTEE ARRANGEMENTS

	2017 RMB'million	2016 RMB'million
Rental guarantees, at fair values	728	599
For the purpose of financial statements presentation:		
Non-current liabilities	551	271
Current liabilities	177	328
	728	599

During the year ended 31 December 2014, the Group disposed of an investment property to an independent third party ("purchaser") for a cash consideration of RMB2,412 million. As part of the disposal, the Group also agreed to provide the purchaser with a rental guarantee whereby the Group agreed to compensate the purchaser on a yearly basis, from the date when the first instalment was received till 31 January 2019 which could be further extended by the purchaser for three times, each for a one-year period when certain conditions are met, the shortfall between a fixed rate of the consideration received by the Group from the purchaser and the net operating income to be generated by the property. On the other hand, the Group shall be entitled to receive from the purchaser a fee amounting to 80% of the excess of net operating income above a fixed rate of the consideration received by the Group from the purchaser.

A similar arrangement was entered into during the year ended 31 December 2013 with another independent third party purchaser, which, in accordance with the related sales and purchase agreement, the rental guarantee arrangement was last till January 2017.

In the current year, the Group has reassessed and revised the related cash flow forecast take into account the latest market conditions.

As at 31 December 2017, the fair value of financial liabilities arising from the abovementioned rental guarantee arrangements, which is calculated by using Monte-Carlo simulation using the following assumptions:

	2017	2016
Estimated office unit rental	RMB79 to RMB86 per square meter	RMB96 to RMB121 per square meter
Occupancy rate	62% to 90%	73% to 99%
Risk-free rate	3.82%	2.88%
Discount rate	9.38%	8.17%
Expected expiry date (in accordance with conditional term as described above)	31 January 2022	31 January 2020

Risk-free rates represent the corresponding yield to maturity of respective China Sovereign Fixed Rate.

33. LIABILITIES ARISING FROM RENTAL GUARANTEE ARRANGEMENTS (CONTINUED)

A loss of RMB458 million (2016: RMB227 million) has been recognised in profit or loss in the current year to reflect changes in estimates (included in "other gains and losses" line item).

The Group's liabilities arising from rental guarantee arrangements that are measured at fair value at the end of the reporting period are grouped under Level 3. There were no transfers in or out of Level 3 during the year. Level 3 fair value measurements are those derived from inputs that are unobservable for the asset or liability. The higher the estimated office unit rental and occupancy rate, the lower the fair value of the liabilities arising from rental guarantee arrangements. The higher the discount rate, the lower the fair value of the liabilities arising from rental guarantee arrangements.

34. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation RMB'million	Revaluation of investment properties RMB'million	Tax losses RMB'million	Recognition of sales and related cost of sales RMB'million	Withholding tax on income derived in the PRC RMB'million	Others RMB'million	Total RMB'million
At 1 January 2016	1,464	4,067	(345)	(513)	228	(213)	4,688
Charge (credit) to profit or loss	166	325	4	(425)	125	(57)	138
Charge to other comprehensive income	–	–	–	–	–	4	4
Acquisition of further equity interest in a subsidiary (note 37(d))	–	–	(14)	618	–	–	604
At 31 December 2016	1,630	4,392	(355)	(320)	353	(266)	5,434
Charge (credit) to profit or loss	**151**	**82**	**21**	**305**	**91**	**(225)**	**425**
Charge to other comprehensive income	–	–	–	–	–	**2**	**2**
Disposal of equity interest in subsidiaries (note 37(a),(c))	**(84)**	**(264)**	–	**140**	–	–	**(208)**
At 31 December 2017	**1,697**	**4,210**	**(334)**	**125**	**444**	**(489)**	**5,653**

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 RMB'million	2016 RMB'million
Deferred tax assets	**(992)**	(840)
Deferred tax liabilities	**6,645**	6,274
	5,653	5,434

34. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

At the end of the reporting period, the Group has unused tax losses of RMB2,012 million (2016: RMB2,090 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB1,336 million (2016: RMB1,419 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB676 million (2016: RMB671 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2017 RMB'million	2016 RMB'million
2017	–	78
2018	66	130
2019	150	128
2020	150	91
2021	215	244
2022	95	–
	676	671

35. LOANS FROM A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES

As at 31 December 2017, the loans from a non-controlling shareholder of subsidiaries are unsecured repayable on demand and carry interest at 110% of PBOC Prescribed Interest Rate.

36. PROVIDENT AND RETIREMENT FUND SCHEMES

HONG KONG

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was effective in 2004. The assets of the Plan are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The MPF Scheme

For members of the MPF Scheme, contributions are made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of services with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff costs during the year ended 31 December 2017 is RMB7 million (2016: RMB9 million).

36. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

HONG KONG (CONTINUED)

The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The actuarial valuations of the plan assets and the present value of the defined benefit obligation are carried out at 31 December 2017 and 31 December 2016 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost are measured using the Projected Unit Credit Method.

The Plan exposes the Group to actuarial risks such as investment risk, interest risk and salary risk.

Investment risk	The plan assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the plan investments.
Interest risk	The present value of the defined benefit plan liabilities is calculated using a discount rate determined by reference to market corporate bond yields. A decrease in the discount rate will increase the plan liabilities.
Salary risk	The present value of the defined benefit plan liabilities is calculated by reference to the future salaries of members. An increase in the salaries of members will increase the plan liabilities.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	2017	2016
Discount rate per annum	**1.6%**	1.6%
Expected rate of salary increase	**4.0%**	4.0%

The actuarial valuation showed that the market value of plan assets was RMB56 million (2016: RMB45 million) and that the actuarial value of these assets represented 92% (2016: 67%) of the benefits that had accrued to members.

Amounts recognised in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2017 RMB'million	2016 RMB'million
Service cost and components of defined benefit costs recognised in profit or loss:		
– Current service cost	**2**	3
	2	3
Remeasurement of the net defined benefit liability and components of defined benefit costs recognised in other comprehensive income:		
– Return on plan assets (excluding amounts included in net interest expense)	**(10)**	(1)
– Actuarial gains and losses arising from changes in financial assumptions	**–**	(1)
– Actuarial gains and losses arising from experience adjustments	**–**	(2)
	(10)	(4)
Total	**(8)**	(1)

36. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

HONG KONG (CONTINUED)

The Plan (continued)

The expense for the year is included in the retirement benefits costs in profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2017 RMB'million	2016 RMB'million
Present value of funded defined benefit obligations	61	67
Fair value of plan assets	(56)	(45)
Net liabilities arising from defined benefit obligations	5	22

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2017 RMB'million	2016 RMB'million
At 1 January	67	82
Current service cost	2	3
Interest cost	1	1
Remeasurement gains:		
– Actuarial gains and losses arising from changes in financial assumptions	–	(1)
– Actuarial gains and losses arising from experience adjustments	–	(2)
Contributions from plan participants	1	1
Benefits paid from scheme assets	(5)	(21)
Exchange realignment	(5)	4
At 31 December	61	67

Movements in the present value of the plan assets in the current year were as follows:

	2017 RMB'million	2016 RMB'million
At 1 January	45	52
Remeasurement gain:		
– Interest income on scheme assets	1	1
– Return on plan assets (excluding amounts included in net interest expense)	10	1
Contributions from the employer	7	9
Contributions from plan participants	1	1
Benefits paid from scheme assets	(5)	(21)
Exchange realignment	(3)	2
At 31 December	56	45

36. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

HONG KONG (CONTINUED)

The Plan (continued)

The major categories of plan assets at the end of the reporting period are as follows:

	2017 RMB'million	2016 RMB'million
Equities	41	31
Hedge funds	5	5
Bonds and cash	10	9
	56	45

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The actual return on plan assets was gain of RMB11 million (2016: gain of RMB2 million).

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and expected rate of salary increase. No sensitivity analysis is prepared as the financial impact arising from the changes in discount rate and expected rate of salary increase is insignificant.

The management has regularly monitored the investment strategies of the plan assets and there has been no change in the process used by the management to manage its risks from prior periods.

The average duration of the benefit obligation at 31 December 2017 is 4.5 years (2016: 5 years).

The Group expects to make a contribution of RMB2 million (2016: RMB9 million) to the defined benefit plan during the next financial year.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specific percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

The Group's contributions to the state-managed retirement benefit schemes charged to the consolidated statement of profit or loss as staff costs during the year ended 31 December 2017 amounted to RMB38 million (2016: RMB39 million).

37. ACQUISITIONS AND DISPOSALS

(a) Disposal of equity interest in Chongqing Shui On Tiandi

On 26 May 2017, the Group entered into an agreement with an independent third party pursuant to which the Group would effectively dispose its 79.2% interest in the portfolio of certain properties via disposal of relevant equity interests in Chongqing Shui On Tiandi, a subsidiary in which the Group owned 99% equity interest, at a consideration of approximately RMB4,133 million. The equity disposal was completed on 29 June 2017.

37. ACQUISITIONS AND DISPOSALS (CONTINUED)

(a) Disposal of equity interest in Chongqing Shui On Tiandi (continued)

The net assets of the portfolio of certain properties at the date of the disposal were as follows:

	RMB'million
Net assets disposed of:	
Properties under development for sale	1,585
Investment properties under construction or development	2,488
Accounts receivable, deposits and prepayments	2
Deferred tax assets	169
Bank loans	(515)
Accounts payable, deposits received and accrued charges	(54)
	3,675
Gain on disposal of subsidiaries:	
Cash consideration received	3,933
Add: Consideration receivable	200
	4,133
Less: Transaction costs paid or payable	(14)
Less: Net assets disposed of	(3,675)
Add: Non-controlling interests	29
Add: Fair value of the remaining interest in an associate	1,033
Gain on disposal (note (i))	1,506
Net cash inflow arising on the disposal, net of transaction costs:	
Cash consideration received from disposal of properties inventories	2,458
Cash consideration received from disposal of investment properties and related assets and liabilities	1,464
	3,922

Note:

(i) The disposal was partially accounted for as a sale of property inventories in the ordinary course of the Group's property business. Revenue from the sale of properties under development for sale amounting to RMB3,229 million and the cost of sales amounting to RMB1,645 million were recognised at the completion date, representing 99% interest disposed by the Group. The remaining loss of RMB78 million represents loss on disposal of investment properties under construction or development and other net assets included in "Gain on disposal of investment properties through disposal of subsidiaries".

(b) Disposal of equity interests in Shanghai Baili Property Development Company Limited to a joint venture ("JV") of the Group

On 9 August 2017, the Group entered into an agreement with an independent third party pursuant to which the Group would dispose of its 100% equity interest in Shanghai Baili Property Development Company Limited ("Shanghai Baili"), a wholly own subsidiary of the Group to the JV. The equity disposal was completed on 15 August 2017.

The net assets of the portfolio of certain properties at the date of the disposal were as follows:

	RMB'million
Net assets disposed of:	
Investment properties	75
Properties under development for sale	57
Accounts receivable, deposits and prepayments	4
Amount due to group companies	(8)
Net assets disposal of	128
Gain on disposal of subsidiaries:	
Cash consideration received	110
Net Loss on disposal	(18)
Net Cash inflow arising on the disposal:	
Cash from disposal of investment properties and others	**110**

37. ACQUISITIONS AND DISPOSALS (CONTINUED)

(c) Disposal of 49.5% effective rights and interests pertaining to a net portfolio of certain properties of Shanghai RHXC

On 19 December 2017, the Group entered into an agreement with an independent third party pursuant to which the Group would effectively dispose of its 49.5% interest pertaining to a net portfolio of certain properties via disposal of 21.4% equity interest in Shanghai RHXC, a subsidiary in which the Group originally owned 99% equity interest, at a consideration of approximately RMB3,869 million. The equity disposal was completed on 27 December 2017, and Group accounted for this as a joint venture upon completion.

The net assets of the portfolio of certain properties of Shanghai RHXC at the date of the disposal were as follows:

	RMB'million
Net assets disposed of:	
Investment properties	7,402
Property, plant and equipment	5
Pledged deposit-long term portion	30
Property held for sale	29
Accounts receivable, deposits and prepayments	779
Bank balances and cash	320
Accounts payable, accrued charges and deposits received	(128)
Amount due to group companies	(13)
Bank borrowings	(2,141)
Deferred tax liabilities	(377)
Net assets disposal of	5,906
Gain on disposal of subsidiaries:	
Cash consideration received	3,869
Less: Transaction costs paid or payable	(11)
Less: Net assets disposed of	(5,906)
Add: Non-controlling interests	49
Add: Fair value of the remaining interest accounted for as interest in a joint venture	3,869
Net Gain on disposal	1,870
Net cash inflow arising on the disposal:	
Cash consideration received, net of transaction costs paid	3,864
Less: Bank balance and cash disposal of	(320)
Less: Pledged deposits – long term portion disposed of	(30)
Net cash inflow arising on the disposal	3,514
Including:	
Bank and cash – unrestricted	3,269
Bank balances – restricted	245
	3,514

(d) Acquisition of further equity interest in Portspin Limited in the prior year

Pursuant to a sale and purchase agreement entered into on 18 December 2015 between an indirectly wholly-owned subsidiary of the Company, as a purchaser, and the joint venture partner of Portspin Limited ("Portspin"), a then joint venture of the Group that the Group owned 39.86% equity interest in Portspin, as a seller, the joint venture partner agreed to sell and the Group agreed to acquire the remaining 60.14% of the equity interest and the related shareholders' loans in Portspin for an aggregate cash consideration of US$563 million, of which US$156 million (approximately RMB1,014 million translated using the exchange rate as at 19 January 2016) was settled on 19 January 2016 and US$407 million (approximately RMB2,697 million) was settled on 10 October 2017. The transaction was completed on 19 January 2016 and Portspin became a subsidiary of the Company upon completion. Portspin is an investment holding company and its subsidiaries own a property development project in Shanghai, which is held for property development for sale.

37. ACQUISITIONS AND DISPOSALS (CONTINUED)

(d) Acquisition of further equity interest in Portspin Limited in the prior year (continued)

In accordance with the sale and purchase agreement, when certain conditions are met, in addition to the US$407 million being the consideration, the Company shall pay the seller at the maximum equal to US$15 million. The present value of such deferred consideration of US$422 million (approximately RMB2,768 million translated using the exchange rate at 19 January 2016) discounted for about 2 years using the weighted average borrowing rate of the Company's bank borrowings outstanding during 2015 of 6.26% per annum was RMB2,452 million.

On 27 September 2017, the Group and Portspin entered into an agreement to fix the earn-out amount at US$6.5 million. The earn-out amount was settled on 10 October 2017.

The acquisition is accounted for using the acquisition method of accounting in accordance with IFRS 3 *Business Combinations*. The Directors of the Company believe that the acquired items constitutes a business in accordance with IFRS 3 (for example, construction activities and pre-completion sales activities had been started before the acquisition). The bargain purchase gain recognised was RMB369 million, which is attributable to the increase in the valuation of the subject properties under development for sale after the negotiation of consideration.

In addition, the difference between the fair value of the existing interest in a joint venture and the aggregate carrying amount of interests in and loans to a joint venture amounting to RMB498 million was recognised in profit or loss during the prior period as gain on deemed disposal of a joint venture.

Acquisition-related costs of RMB38 million have been expensed in the profit or loss in the prior period and included in "general and administrative expenses" line item in the consolidated statement of profit or loss.

The recognised amounts of assets and liabilities of the acquired companies at the date of acquisition (which is 19 January 2016) are set out below:

	RMB'million
Property, plant and equipment	12
Properties under development for sale	7,760
Accounts receivable, deposits and prepayments	4
Deferred tax assets	14
Restricted bank deposits	318
Bank balances and cash	50
Accounts payable and accruals	(540)
Loans from and amounts due to the Group	(2,159)
Loans from and amounts due to a shareholder	(3,258)
Bank borrowings	(513)
Deferred tax liabilities	(618)
Less: Non-controlling interests	(110)
Net assets acquired	960
Consideration paid out of restricted bank balance	1,014
Deferred consideration	2,452
Less: Assumption of loans from and amounts due to a shareholder acquired	(3,258)
Plus: Fair value of existing interest in a joint venture	383
Less: Fair value of net assets acquired	(960)
Bargain purchase gain (included in "other gains and losses" in the profit or loss)	(369)
Cash inflow on acquisition:	
Cash and cash equivalent balances acquired	50

37. ACQUISITIONS AND DISPOSALS (CONTINUED)

(e) Disposal of equity interest in Infoshore International Limited in the prior year

Pursuant to a sale and purchase agreement entered into with independent third parties on 10 December 2015, the Group, on 2 February 2016, completed a disposal of its entire equity interest in a subsidiary, namely Infoshore International Limited ("Infoshore") and the related shareholders' loans for an aggregate cash consideration of approximately RMB5,759 million. Infoshore indirectly held an investment property located in Shanghai, the PRC.

The net assets of the subsidiaries at the date of the disposal were as follows:

	RMB'million
Net assets disposed of:	
Investment properties	5,700
Accounts receivable, deposits and prepayments	64
Deferred tax assets	45
Bank balances and cash	215
Accounts payable, deposits received and accrued charges	(208)
Deferred tax liabilities	(527)
	5,289
Gain on disposal of subsidiaries:	
Cash consideration received	5,759
Less: Transaction costs	(45)
Less: Net assets disposed of	(5,289)
Add: Non-controlling interests	41
	466
Increase in fair value of the investment properties recognised during the period	10
Gain on disposal (presented as "gain on disposal of investment properties through disposed of subsidiaries")	476
Net cash inflow arising on the disposal for the year ended 31 December 2016:	
Cash consideration received, net of transaction costs	3,843
Less: Restricted bank deposits	(223)
Less: Bank balances and cash disposed of	(215)
	3,405

The net asset value of the disposed subsidiaries was finalised during the year ended 31 December 2017. The consideration was adjusted downward by RMB19 million and recognised as loss for current year. During the year ended 31 December 2017, the Group received the remaining consideration receivable of RMB79 million from the buyer.

(f) Disposal of property inventories through the disposal of equity interest in Foshan Yuan Kang Property Development Co., Ltd. in the prior year

Pursuant to a sale and purchase agreement entered into with an independent third party on 14 April 2016, the Group disposed of the entire equity interest in Foshan Yuan Kang Property Development Co., Ltd. ("Foshan Yuan Kang"), a wholly-owned subsidiary of the Company, at an aggregate consideration of RMB1,900 million. Foshan Yuan Kang owned a property development project in Foshan, the PRC. The disposal was completed on 24 June 2016.

37. ACQUISITIONS AND DISPOSALS (CONTINUED)

(f) Disposal of property inventories through the disposal of equity interest in Foshan Yuan Kang Property Development Co., Ltd. in the prior year (continued)

The net assets disposed of in the transaction were as follows:

	RMB'million
Net assets disposed of:	
Investment properties under construction or development at cost	76
Properties under development for sale	1,770
Bank balances and cash	10
	1,856
Total consideration satisfied by:	
Cash consideration received	1,720
Consideration receivables	180
Less: Cost of discounting to present value	(58)
Consideration	1,842
Net assets disposed of	(1,856)
Transaction cost	(1)
Loss on disposal (note (i))	(15)

Note:

(i) The transaction was accounted for as a sale of property inventories in the ordinary course of the Group's property business. The disposal of properties under development for sale was through the disposal of Foshan Yuan Kang which owned the properties.

38. ASSETS CLASSIFIED AS HELD FOR SALE

On 14 November 2017, Innovate Zone entered into a sale and purchase agreement with Many Gain and Yida, in relation to the sale of 61.54% of the issued share capital in and the related loans to Richcoast Group for the consideration of RMB3,160 million.

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

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

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

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

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

39. SHARE-BASED PAYMENT TRANSACTIONS

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to Directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At 31 December 2017, 29,046,037 share options (2016: 44,202,563 share options) remains outstanding under the Scheme, representing 0.4% (2016: 0.6%) of the ordinary shares of the Company in issue at that date. The Scheme allows the Board of Directors of the Company, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

The movement in the Company's share options is set out below:

		Number of options				
Date of grant	Exercise price HK$	At 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2017
2 January 2008	8.27	1,068,828	–	–	(1,068,828)	–
1 February 2008	7.42	213,336	–	–	(213,336)	–
3 March 2008	7.08	76,429	–	–	(76,429)	–
2 May 2008	7.31	1,926,641	–	–	(1,926,641)	–
2 June 2008	6.77	4,458,806	–	–	(4,458,806)	–
2 July 2008	5.95	86,804	–	–	(86,804)	–
4 September 2009	4.52	3,803,331	–	–	(3,803,331)	–
18 January 2012	2.41	7,271,261	–	–	–	7,271,261
3 September 2012	4.93	10,941,127	–	–	(3,228,951)	7,712,176
7 July 2015	2.092	5,776,000	–	(100,800)	–	5,675,200
4 July 2016	1.98	8,580,000	–	(192,600)	–	8,387,400
		44,202,563	–	(293,400)	(14,863,126)	29,046,037
Categorised as:						
Directors		437,000	–	–	–	437,000
Employees		43,765,563	–	(293,400)	(14,863,126)	28,609,037
		44,202,563	–	(293,400)	(14,863,126)	29,046,037
Number of options exercisable		27,645,755				17,327,381

In respect of the share options exercised during the year ended 31 December 2017, the weighted average share price at the date of exercise is HK$2.18.

39. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

SHARE OPTION SCHEME (CONTINUED)

		Number of options			
Date of grant	Exercise price HK$	At 1 January 2016	Granted during the year	Lapsed during the year	At 31 December 2016
20 June 2007	6.45	30,879,741	–	(30,879,741)	–
1 August 2007	7.54	495,773	–	(495,773)	–
2 October 2007	9.22	267,799	–	(267,799)	–
1 November 2007	10.86	229,778	–	(229,778)	–
3 December 2007	9.11	67,696	–	(67,696)	–
2 January 2008	8.27	1,636,194	–	(567,366)	1,068,828
1 February 2008	7.42	317,109	–	(103,773)	213,336
3 March 2008	7.08	277,504	–	(201,075)	76,429
2 May 2008	7.31	2,674,115	–	(747,474)	1,926,641
2 June 2008	6.77	5,931,901	–	(1,473,095)	4,458,806
2 July 2008	5.95	206,111	–	(119,307)	86,804
4 September 2009	4.52	6,050,011	–	(2,246,680)	3,803,331
18 January 2012	2.41	9,512,122	–	(2,240,861)	7,271,261
3 September 2012	4.93	21,333,420	–	(10,392,293)	10,941,127
7 July 2015	2.092	6,651,000	–	(875,000)	5,776,000
4 July 2016	1.98	–	8,580,000	–	8,580,000
		86,530,274	8,580,000	(50,907,711)	44,202,563
Categorised as:					
Directors		–	437,000	–	437,000
Consultant		217,000	–	(217,000)	–
Employees		86,313,274	8,143,000	(50,690,711)	43,765,563
		86,530,274	8,580,000	(50,907,711)	44,202,563
Number of options exercisable		68,891,804			27,645,755

The Scheme expired on 7 June 2017 and no further share options can be granted thereunder. However, the rules of the Scheme remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the Scheme. All outstanding share options granted prior to the expiration of the Scheme shall continue to be valid and exercisable in accordance with the rules of the Scheme.

A new share option scheme was adopted by the Company on 24 May 2017.

The vesting period and the exercisable period of the share options granted to eligible employees on 4 July 2016 are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	From date of grant to 29 June 2017	From 30 June 2017 to 3 July 2022
The second 1/5 of the grant:	From date of grant to 29 June 2018	From 30 June 2018 to 3 July 2022
The third 1/5 of the grant:	From date of grant to 29 June 2019	From 30 June 2019 to 3 July 2022
The fourth 1/5 of the grant:	From date of grant to 29 June 2020	From 30 June 2020 to 3 July 2022
The fifth 1/5 of the grant:	From date of grant to 29 June 2021	From 30 June 2021 to 3 July 2022

The vesting period and the exercisable period of the share options granted to eligible employees on 7 July 2015 are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	From date of grant to 29 June 2016	From 30 June 2016 to 6 July 2021
The second 1/5 of the grant:	From date of grant to 29 June 2017	From 30 June 2017 to 6 July 2021
The third 1/5 of the grant:	From date of grant to 29 June 2018	From 30 June 2018 to 6 July 2021
The fourth 1/5 of the grant:	From date of grant to 29 June 2019	From 30 June 2019 to 6 July 2021
The fifth 1/5 of the grant:	From date of grant to 29 June 2020	From 30 June 2020 to 6 July 2021

39. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

SHARE OPTION SCHEME (CONTINUED)

The vesting period and the exercisable period of the share options granted to eligible employees and Directors on 18 January 2012 are as follows:

	Vesting period	Exercisable period
The first 50% of the grant:	From date of grant to 27 June 2013	From 28 June 2013 to 17 January 2020
The second 25% of the grant:	From date of grant to 31 December 2013	From 1 January 2014 to 17 January 2020
The last 25% of the grant:	From date of grant to 31 December 2014	From 1 January 2015 to 17 January 2020

The vesting period and the exercisable period of the share options granted to eligible employees and Directors for the remaining grants are as follows:

	Vesting period	Exercisable period
The first 1/7 of the grant:	From date of grant to the 2nd anniversary	From the 2nd to the 7th anniversary of the date of grant
The second 1/7 of the grant:	From date of grant to the 3rd anniversary	From the 3rd to the 8th anniversary of the date of grant
The third 1/7 of the grant:	From date of grant to the 4th anniversary	From the 4th to the 9th anniversary of the date of grant
The fourth 1/7 of the grant:	From date of grant to the 5th anniversary	From the 5th to the 9th anniversary of the date of grant
The fifth 1/7 of the grant:	From date of grant to the 6th anniversary	From the 6th to the 9th anniversary of the date of grant
The sixth 1/7 of the grant:	From date of grant to the 7th anniversary	From the 7th to the 9th anniversary of the date of grant
The last 1/7 of the grant:	From date of grant to the 8th anniversary	From the 8th to the 9th anniversary of the date of grant

The vesting period and the exercisable period of the share options granted to a consultant on 20 June 2007 are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	Unconditional and fully vested at the date of grant	Before the 5th anniversary of the date of grant
The second 1/5 of the grant:	From date of grant to the 1st anniversary	Before the 6th anniversary of the date of grant
The third 1/5 of the grant:	From date of grant to the 2nd anniversary	Before the 7th anniversary of the date of grant
The fourth 1/5 of the grant:	From date of grant to the 3rd anniversary	Before the 8th anniversary of the date of grant
The last 1/5 of the grant:	From date of grant to the 4th anniversary	Before the 9th anniversary of the date of grant

The estimated fair value of the options granted on 4 July 2016 was RMB4 million.

39. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

SHARE OPTION SCHEME (CONTINUED)

These fair values were calculated using the Binomial lattice model. The inputs into the model were as follows:

	The options granted on 4 July 2016
Share price at the date of grant	HK$1.980
Exercise price	HK$1.980
Expected volatility of the Company's share price	38%
Expected life	6 years
Risk-free rates of interest	0.61% to 0.71%
Expected dividend yield	2.4%
Early exercise behaviour	176%
Rate of leaving services after the options are vested	4%

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The expected dividend yield has taken into account the historical dividend yield in the past 5 years. The risk-free interest rates are based on the yield curve fitted by market yields of the Hong Kong Government Exchange Fund Notes and Government Bonds at the grant date.

The Binomial lattice model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group has recognised the total expense of RMB2 million (2016: RMB3 million) in the profit or loss in relation to share options granted by the Company.

During the year ended 31 December 2017, 293,400 (2016: nil) share options have been exercised.

SHARE AWARD SCHEME

On 1 April 2015, (1) a connected employee share award scheme and (2) an employee share award scheme were adopted by the Company. The share award scheme is effective for a period of 16 years commencing from 1 April 2015. Pursuant to these two schemes, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they vest. The Company shall pay to the trustee monies and give directions or recommendation to the trustee to apply such monies and/or such other net amount of cash derived from shares held as part of the fund of the trusts to acquire shares from the market, and/or to allot and issue shares to the trustee, to satisfy any award made to selected participants. The remuneration committee of the Company shall select eligible persons and determine the number of shares to be awarded. Upon termination of the schemes, the trustee shall sell all unvested shares remaining in the trusts within a reasonable time period as agreed between the trustee and the Company, and remit all cash and net proceeds of such sale and such other funds remaining in the trust to the Company.

During the year ended 31 December 2015, a total of 17,149,000 award shares (which, depending on the performance of the Group, may be adjusted to a maximum of 42,872,500 award shares, i.e. 250% of the award shares granted during the year) and 7,705,000 award shares (which, depending on the performance of the Group, may be adjusted to a maximum of 19,262,500 award shares, i.e. 250% of the award shares granted during the year) of the Company have been awarded to certain connected employees (including Directors of the Company and of certain subsidiaries) and employees of the Group respectively at no consideration.

The awarded shares shall vest upon condition relating to the Group's performance and the individual performance being met during the 3-year performance period. The key measures to the performance were taken with reference to the key performance indicators such as the Group's financial performance and the strategic growth.

39. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

SHARE AWARD SCHEME (CONTINUED)

The movement in the Company's award shares is set out below:

Vesting dates	Outstanding at 1 January 2017	Movement during the year Awarded	Vested	Lapsed	Outstanding at 31 December 2017
Connected Employee Share Award Scheme					
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	4,548,500	–	–	–	4,548,500
2 January 2018	2,274,250	–	–	–	2,274,250
2 January 2019	2,274,250	–	–	–	2,274,250
	9,097,000	–	–	–	9,097,000
Employee Share Award Scheme					
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	4,019,000	–	–	–	4,019,000
2 January 2018	2,009,500	–	–	–	2,009,500
2 January 2019	2,009,500	–	–	–	2,009,500
	8,038,000	–	–	–	8,038,000
	17,135,000	–	–	–	17,135,000

Vesting dates	Outstanding at 1 January 2016	Movement during the year Awarded	Vested	Lapsed	Outstanding at 31 December 2016
Connected Employee Share Award Scheme					
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	6,862,500	–	–	(2,147,500)	4,715,000
2 January 2018	3,431,250	–	–	(1,073,750)	2,357,500
2 January 2019	3,431,250	–	–	(1,073,750)	2,357,500
	13,725,000	–	–	(4,295,000)	9,430,000
Employee Share Award Scheme					
On or before 30 June 2017 (after the publication of 2016 annual results by the Company)	3,852,500	–	–	–	3,852,500
2 January 2018	1,926,250	–	–	–	1,926,250
2 January 2019	1,926,250	–	–	–	1,926,250
	7,705,000	–	–	–	7,705,000
	21,430,000	–	–	(4,295,000)	17,135,000

As at 31 December 2017 and 2016, 24,854,000 shares are allocated at par and held by the trust for the share award schemes.

The aggregate fair value of 24,854,000 award shares determined based on the share price of the Company at the date of grant amounted to approximately HK$45 million (approximately RMB39 million), of which RMB7 million (2016: RMB9 million) was recognised as an expense in profit or loss for the current year with the corresponding credit being recognised in equity under the heading of "share award reserve".

40. PLEDGE OF ASSETS

The following assets are pledged to banks as securities to obtain certain banking facilities at the end of the reporting period:

	2017 RMB'million	2016 RMB'million
Investment properties	31,394	48,969
Property, plant and equipment	546	1,133
Prepaid lease payments	7	7
Properties under development for sale	8,278	5,354
Properties held for sale	2,321	284
Accounts receivable	42	48
Bank deposits	2,153	4,479
	44,741	60,274

In addition, the equity interests in certain subsidiaries with carrying amount of net assets of RMB6,363 million (2016: RMB13,761 million) are also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

Included in investment properties above, RMB476 million is included under "assets classified as held for sale" as at 31 December 2016.

41. LEASE ARRANGEMENTS

AS LESSOR

Property rental income in respect of the investment properties earned of RMB1,675 million (2016: RMB1,474 million), net of outgoings of RMB259 million (2016: RMB264 million), is RMB1,416 million (2016: RMB1,210 million). The investment properties held have committed tenants for the next one to sixteen years at fixed rentals. Included in the property rental income, certain leases contain contingent rental income recognised during the year ended 31 December 2017 amounting to RMB75 million (2016: RMB45 million). These contingent rentals are generally based on specified percentages of turnover of the tenants.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments (i.e. fixed rental income) which fall due as follows:

	2017 RMB'million	2016 RMB'million
Within one year	1,494	1,616
In the second to fifth years inclusive	2,525	3,172
Over five years	400	649
	4,419	5,437

AS LESSEE

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 RMB'million	2016 RMB'million
Within one year	50	47
In the second to fifth years inclusive	53	81
	103	128

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to four years.

42. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

At the end of the reporting period, the Group has the following commitments:

	2017 RMB'million	2016 RMB'million
Contracted but not provided for:		
Development costs for investment properties under construction or development	964	5,184
Development costs for properties under development held for sale	1,272	3,776
Acquisition of subsidiaries (note 44)	514	–
	2,750	8,960

(b) Contingent liabilities

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (2016: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2017 and 31 December 2016, such arrangement has not taken place.

(ii) As at 31 December 2017, the Group has an outstanding guarantee issued to (a) a joint venture which was formed between Richcoast and Mitsui and (b) Mitsui for an aggregate amount not exceeding RMB55 million (31 December 2016: RMB55 million) in respect of Richcoast's payment obligations to the joint venture and Mitsui.

(iii) As at 31 December 2017, the Group has outstanding financial guarantees issued to independent third parties in respect of outstanding amounts due from subsidiaries of an associate. The maximum amount that could be paid by the Group if the guarantees were called upon is RMB709 million (2016: RMB911 million).

(iv) The Group provided guarantees of RMB1,929 million at 31 December 2017 (31 December 2016: nil) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the bank from the customers as a pledge for security to the mortgage loans granted.

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the consolidated statement of financial position as at 31 December 2017 and 31 December 2016. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

43. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 10, 16, 17, 22, 23, 37 and 42, the Group has the following transactions with related companies during the year:

	2017 RMB'million	2016 RMB'million
SOCL and its subsidiaries other than those of the Group		
Rental and building management fee expenses	4	6
Travelling expenses	9	9
Revenue from construction services	–	1
SOCAM and its subsidiaries, being associates of SOCL		
Revenue from construction services	56	123
Associates		
Revenue from constructive service	6	–
Interest income	94	134
Labor fee income	7	4
Joint ventures		
Project management fee income	1	2
Interest income	58	42
Sales commission fee income	–	2
Labor fee income	–	2
Loss on disposal of investment properties through disposal of a subsidiary (note 37(b))	(18)	–
Non-controlling shareholder of subsidiaries		
Interest expense	4	–
Key management personnel		
Property sales	2	12
Short-term benefits	70	58
Post-employment benefits	3	4
Share option expenses	1	1
Share award expenses	4	5
	78	68

44. EVENTS AFTER THE REPORTING PERIOD

The Group has the following events after the reporting period:

a) On 20 December 2017, Shanghai Ze Chen Real Estate Co., Limited (an indirect wholly-owned subsidiary of the Company) (the "Purchaser"), entered into the sale and purchase agreement with C&D Real Estate Corporation Limited (the "Seller") whereby the Seller has agreed to sell and the Purchaser has agreed to acquire the entire equity interests in and the shareholder's loans to Shanghai Xin Wan Jing Property Limited for a total consideration of RMB1,144 million with RMB630 million deposits paid and included in accounts receivable, deposits and prepayments (note 18). Upon fulfilment of certain conditions, the transaction was completed in January 2018.

b) On 2 March 2018, SODH issued RMB1,600 million senior notes to independent third parties with a maturity of three years due on 2 March 2021 (the "2021 RMB Notes"). The 2021 RMB Notes bear coupon at 6.875% per annum, payable semi-annually in arrears.

45. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and senior notes disclosed in notes 25 and 28, respectively net of bank balances and cash, restricted bank deposits and pledged bank deposits, and equity comprising issued share capital and reserves, convertible perpetual securities, convertible perpetual capital securities, perpetual capital securities and non-controlling shareholders of subsidiaries.

The Directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the excess of the sum of bank borrowings and senior notes over the sum of bank balances and cash (inclusive of restricted bank deposits and pledged bank deposits) by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

The gearing ratios at the end of reporting dates are as follows:

	2017 RMB'million	2016 RMB'million
Bank borrowings	30,993	29,811
Senior notes	10,706	17,312
Pledged bank deposits	(2,153)	(4,479)
Bank balances and cash	(14,607)	(11,088)
Net debt	24,939	31,556
Total equity	49,175	46,256
Net debt to total equity	51%	68%

46. FINANCIAL INSTRUMENTS

A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2017 RMB'million	2016 RMB'million
Financial assets		
Derivative financial asset	342	803
Loans and receivables (including bank balances and cash)	21,497	23,377
Financial liabilities		
Derivative financial liabilities	214	368
Amortised cost	50,408	56,880
Liabilities arising from rental guarantee arrangement	728	599

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include derivative financial asset, loans to associates, loans to joint ventures, accounts receivable, amounts due from associates, amounts due from related companies, amounts due from joint ventures, pledged bank deposits, restricted bank deposits, bank balances and cash, accounts payable, amounts due to related companies, loans from a non-controlling shareholder of subsidiaries, amounts due to non-controlling shareholders of subsidiaries, bank borrowings, senior notes, derivative financial liabilities and liabilities arising from rental guarantee arrangements.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

46. FINANCIAL INSTRUMENTS (CONTINUED)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk

All of the Group's turnover is denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2017 RMB'million	2016 RMB'million
HK$		
Assets	**2,050**	1,521
Liabilities	**3,154**	3,303
US$		
Assets	**3,888**	378
Liabilities	**10,765**	16,562

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and US$.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Notes	2017 RMB'million	2016 RMB'million
HK$			
Profit or loss	(i)	**53**	85
US$			
Profit or loss	(ii)	**327**	771

Notes:
(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in HK$ not subject to cash flow hedges at the end of the reporting period.
(ii) This is mainly attributable to the exposure outstanding on receivables, payables and senior notes denominated in US$ not subject to cash flow hedges at the end of the reporting period.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its loans to joint ventures (note 17), bank borrowings (note 25) and loans from a non-controlling shareholder of subsidiaries (note 35) at variable rates.

The Group's fair value interest rate risk relates primarily to fixed rate loans to/amounts due from associates (note 16), bank borrowings (note 25) and senior notes (note 28).

46. FINANCIAL INSTRUMENTS (CONTINUED)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and PBOC prescribed interest rate arising from the Group's HK$, US$ and RMB borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings and loans from a non-controlling shareholder of subsidiaries the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables are held constant, the Group's profit for the year ended 31 December 2017 would decrease/increase by RMB137 million (2016: RMB100 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings, after taking into consideration the effects of the capitalisation of interest costs.

The Group's sensitivity to interest rates has increased during the current year mainly due to the decrease of capitalisation rate of interest costs.

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 42.

The Group's credit risk is primarily attributable to its loans to associates, loans to joint ventures, accounts receivable, amounts due from associates, amounts due from related companies, amounts due from joint ventures and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2017 loans to joint ventures of RMB2,553 million (2016: RMB756 million), amounts due from joint-ventures of RMB751 million (2016: RMB6 million) and amounts due from related companies of RMB642 million (2016: RMB808 million).

The credit risk on liquid funds is limited because the funds have been deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments that are settled on a net basis, undiscounted net cash outflows are presented.

46. FINANCIAL INSTRUMENTS (CONTINUED)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount at 31.12.2017 RMB'million
2017							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	6,703	–	–	–	6,703	6,703
Bank borrowings at variable rates	5.2%	7,062	14,512	4,812	4,057	30,443	27,250
Bank borrowings at fixed rates	7.8%	3,902	–	–	–	3,902	3,743
Senior notes	7.5%	6,246	1,891	3,546	–	11,683	10,706
Amounts due to related companies	–	347	–	–	–	347	347
Amounts due to non-controlling shareholders of subsidiaries	–	8	–	–	–	8	8
Financial guarantee contracts (note a)	–	2,693	–	–	–	2,693	–
Loans from a non-controlling shareholder of subsidiaries	5.2%	1,651	–	–	–	1,651	1,651
Liabilities arising from rental guarantee arrangements (note b)	–	177	232	716	–	1,125	728
		28,789	16,635	9,074	4,057	58,555	51,136
Derivatives – net settlement							
Cash flow hedge instruments		214	–	–	–	214	214

	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount at 31.12.2016 RMB'million
2016							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	9,313	12	12	–	9,337	9,337
Bank borrowings at variable rates	4.9%	7,755	6,885	14,092	5,007	33,739	29,811
Senior notes	8.6%	7,321	5,191	7,419	–	19,931	17,312
Amounts due to related companies	–	412	–	–	–	412	412
Amounts due to non-controlling shareholders of subsidiaries	–	8	–	–	–	8	8
Financial guarantee contracts (note a)	–	966	–	–	–	966	–
Liabilities arising from rental guarantee arrangements (note b)	–	328	232	696	252	1,508	599
		26,103	12,320	22,219	5,259	65,901	57,479
Derivatives – net settlement							
Cash flow hedge instruments	–	368	–	–	–	368	368

Notes:

a. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

b. The amounts included above relate to the rental guarantee arrangements entered into by the Group (see note 33). In respect of the compensation for the current year, the amounts above represent the actual amount. In respect of the remaining guarantee period for 2018 (2016: 2017) and beyond, the amounts represent the maximum amounts the Group could be required to settle as if there was no operating income to be generated by the disposed properties. Based on the expectations at the end of the reporting period, the Group considers that it is more likely that a much lower amount will be payable under the arrangements as some of the properties have been generating rental income. In addition, as mentioned in note 33, liabilities arising on rental guarantee arrangements are measured at fair value at the end of the reporting period. However, this estimate is subject to change depending on the future rental income that will be generated from the properties.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

46. FINANCIAL INSTRUMENTS (CONTINUED)

C. FAIR VALUE MEASUREMENT

The fair values of the Group's financial assets and financial liabilities excluding derivative financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group's derivative financial instruments are measured at fair value at the end of the reporting period and they are grouped under Level 2 financial instruments based on the degree to which the fair value is observable.

The Group's currency forward contracts amounting to RMB214 million (2016: RMB343 million) are measured at the present value of future cash flows, estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting periods) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Group's call option to buy back an investment property and liabilities arising from rental guarantee arrangements that are measured at fair value at the end of the reporting period are grouped under Level 3. The fair values of both instruments are estimated based on Monte-Carlo simulation using key inputs as disclosed in notes 32 and 33 respectively.

At 31 December 2016, the Group's cross currency swaps amounting to RMB368 million are measured at the present value of future cash flows, estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties. All the cross currency swap was settled during the year ended 31 December 2017.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to related companies Note 22 RMB'million	Borrowings Note 25 RMB'million	Senior notes Note 28 RMB'million	Derivative financial instruments Note 32 RMB'million	Loans from a non-controlling shareholder of subsidiaries Note 35 RMB'million	Dividends and distributions Notes 11, 30 and 31 RMB'million	Total RMB'million
At 1 January 2017	283	29,811	17,312	368	–	–	47,774
Financing cash flows	85	2,519	(7,385)	(767)	1,644	(1,040)	(4,944)
Disposal of subsidiaries	(21)	(2,656)	–	–	–	–	(2,677)
Fair value adjustments	–	–	–	126	–	–	126
Distributions to owners of perpetual capital securities and CPCS	–	–	–	–	–	581	581
Foreign exchange translation	–	(460)	(828)	487	–	–	(801)
Interest expenses	–	1,718	1,372	–	7	–	3,097
Loss on early redemption of senior notes	–	–	235	–	–	–	235
Shares issued in lieu of cash dividend	–	–	–	–	–	(57)	(57)
Final dividends for 2016 and interim dividend for 2017	–	–	–	–	–	475	475
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	41	41
Interests payable	–	61	–	–	–	–	61
At 31 December 2017	347*	30,993	10,706	214	1,651	–	43,911

* Out of the total amounts due to related companies of RMB347 million (2016: RMB412 million) as of 31 December 2017, RMB347 million (2016: RMB283 million) are liabilities arising from financing activities.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB'million	2016 RMB'million
Non-current assets		
Investments in subsidiaries	6,662	5,845
Loan to a subsidiary	10,943	11,371
	17,605	17,216
Current assets		
Other prepayment	23	23
Bank balances	2	1
	25	24
Current liabilities	–	–
Total assets less current liabilities	17,630	17,240
Capital and reserves		
Share capital	146	145
Reserves (note)	17,484	17,095
Total equity	17,630	17,240
Total equity and non-current liabilities	17,630	17,240

Note:
Details of the Company's reserves are set out below:

	Share premium RMB'million	Share award reserve RMB'million	Convertible bond equity reserve RMB'million	Other reserve RMB'million	Share option reserve RMB'million	Accumulated losses RMB'million	Total RMB'million
At 1 January 2016	18,020	8	–	507	126	(2,132)	16,529
Profit and total comprehensive income for the year	–	–	–	–	–	820	820
Recognition of equity-settled share-based payment expenses (note 39)	–	–	–	–	3	–	3
Lapsed of share options	–	–	–	–	(90)	90	–
Recognition of equity-settled share based payment expenses under the share award scheme (note 39)	–	9	–	–	–	–	9
Total dividends of HK$0.039 per share paid, comprising 2015 final dividend of HK$0.028 per share and 2016 interim dividend of HK$0.011 per share	–	–	–	–	–	(266)	(266)
At 31 December 2016	18,020	17	–	507	39	(1,488)	17,095
Profit and total comprehensive income for the year	–	–	–	–	–	799	799
Recognition of equity-settled share-based payment expenses (note 39)	–	–	–	–	2	–	2
Lapsed of share options	–	–	–	–	(28)	28	–
Recognition of equity-settled share based payment expenses under the share award scheme (note 39)	–	7	–	–	–	–	7
Total dividends of HK$0.069 per share paid, comprising 2016 final dividend of HK$0.039 per share and 2017 interim dividend of HK$0.03 per share	–	–	–	–	–	(475)	(475)
Share issued in lieu of cash dividend	56	–	–	–	–	–	56
At 31 December 2017	18,076	24	–	507	13	(1,136)	17,484

49. PARTICULARS OF MAJOR SUBSIDIARIES

Particulars of the Company's major subsidiaries at 31 December 2017 and 31 December 2016 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2017 (note a)	Attributable equity interest held 2016 (note a)	Place of operation	Principal activities
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Beaming Leader Limited	BVI 5 October 2012	10,000 ordinary shares of US$1 each	78.11%	78.11%	Hong Kong	Investment holding
Best Scene Retail Asset Management (Hong Kong) Limited	Hong Kong 4 April 2011	HK$1	78.11%	78.11%	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	HK$1	100%	100%	Hong Kong	Investment holding
Big Glory (H.K.) Limited	Hong Kong 24 February 2014	HK$1	78.11%	78.11%	Hong Kong	Investment holding
Billion China Investments Limited	BVI 18 October 2007	20 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	HK$2	100%	100%	Hong Kong	Investment holding
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	HK$2	51%	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	100 ordinary shares of US$1 each	51%	100%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	HK$2	78.11%	78.11%	Hong Kong	Investment holding
China Advance Limited	Hong Kong 13 November 2006	HK$1	100%	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	HK$1	100%	100%	Hong Kong	Investment holding
China Xintiandi Company Limited	BVI 21 March 2011	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2017 (note a)	Attributable equity interest held 2016 (note a)	Place of operation	Principal activities
China Xintiandi Limited	Cayman Islands 18 April 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Development Company Limited	Cayman Islands 3 November 2011	1 ordinary share of US$0.01	78.11%	78.11%	Hong Kong	Investment holding
China Xintiandi Holding Company Limited	Cayman Islands 27 October 2011	1,280,312 ordinary shares of US$0.001 each	78.11%	78.11%	Hong Kong	Investment holding
China Xintiandi Enterprise Limited	Cayman Islands 3 April 2014	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Management (Hong Kong) Limited	Hong Kong 12 October 2012	HK$1	78.11%	78.11%	Hong Kong	Investment holding
China Xintiandi Property Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	78.11%	78.11%	Hong Kong	Investment holding
Chongqing Shui On Tiandi Property Development Co. Ltd. (Note b, h)	PRC 21 November 2003	Registered and paid up capital US$385,000,000	-	99%	PRC	Property development and property investment
Citichamp Limited	Hong Kong 19 July 2006	HK$1	100%	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	HK$2	100%	100%	Hong Kong	Investment holding
Clear Max Enterprises Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Colour Bridge Holdings Limited	BVI 8 August 2016	2 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	HK$2	51%	100%	Hong Kong	Investment holding
Dalian Yingjia Science and Technology Development Co., Ltd. (Note d)	PRC 3 December 2009	Registered and paid up capital US$23,000,000	100%	100%	PRC	Science and technology development
East Capital Development Limited	Hong Kong 18 April 2008	HK$1	100%	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	HK$2	78.11%	78.11%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Excellent Goal Limited	Hong Kong 16 January 2014	HK$1	100%	100%	Hong Kong	Investment holding

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2017 (note a)	Attributable equity interest held 2016 (note a)	Place of operation	Principal activities
Excellent Hope Limited	Hong Kong 5 February 2014	HK$1	100%	100%	Hong Kong	Investment holding
Excellent Win Enterprises Limited	Hong Kong 5 February 2010	HK$1	100%	100%	Hong Kong	Investment holding
Famous Scene Holdings Limited	BVI 13 December 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Fast China Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	HK$100	100%	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Firm Gain Investments Limited	BVI 26 July 2011	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	HK$2	78.11%	78.11%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	5,000 A shares and 5,000 B shares of US$1 each	100%	100%	Hong Kong	Investment holding
Fo Shan An Ying Property Development Co., Ltd. (Note d)	PRC 8 January 2008	Registered and paid up capital RMB830,000,000	100%	100%	PRC	Property development
Fo Shan Rui Dong Property Development Co., Ltd. (Note d)	PRC 25 April 2008	Registered and paid up capital RMB1,290,000,000	100%	100%	PRC	Property development
Fo Shan Rui Fang Property Development Co., Ltd. (Note d)	PRC 21 May 2008	Registered capital is RMB940,000,000 and paid up capital RMB785,392,157	100%	100%	PRC	Property development
Fo Shan Rui Kang Tian Di Property Development Co., Ltd. (Note d)	PRC 21 May 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd. (Note d)	PRC 8 January 2008	Registered and paid up capital RMB900,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd. (Note d)	PRC 8 January 2008	Registered and paid up capital RMB1,130,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Hotel Management Co., Ltd. (Note d)	PRC 8 August 2011	Registered and paid up capital RMB5,000,000	100%	100%	PRC	Hotel management
Fo Shan Yong Rui Tian Di Property Development Co., Ltd. (Note d)	PRC 21 March 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Tiandi Trading Co., Ltd. (Note d)	PRC 3 August 2010	Registered and paid up capital RMB1,000,000	100%	100%	PRC	Retail business
Fuhui Limited	BVI 1 April 2010	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2017 (note a)	2016	Place of operation	Principal activities
Gains Ally Limited	BVI 3 May 2013	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	HK$2	100%	100%	Hong Kong	Investment holding
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Glory Land Investment Limited	Cayman Islands 3 July 2012	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Grand Hope Limited	Hong Kong 14 March 2003	100 A ordinary shares of HK$1 each and 2 B ordinary shares of HK$1 each	A shares: 100% B shares: 100%	A shares: 100% B shares: 100%	Hong Kong	Investment holding
Greatwood Development Limited	Hong Kong 22 April 2013	HK$1	100%	100%	Hong Kong	Investment holding
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Innovate Zone Group Limited	BVI 3 January 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	78.11%	78.11%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	HK$1	100%	100%	Hong Kong	Investment holding
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	HK$1	78.11%	78.11%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	HK$2	78.11%	78.11%	Hong Kong	Investment holding
Land Pacific Limited	Hong Kong 2 November 2007	HK$1	100%	100%	Hong Kong	Investment holding
Legend City Limited	Hong Kong 4 June 1997	HK$2	100%	100%	Hong Kong	Investment holding

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2017 (note a)	Attributable equity interest held 2016 (note a)	Place of operation	Principal activities
Lucky Gain Limited	Hong Kong 8 November 2002	HK$2	100%	100%	Hong Kong	Investment holding
Lucky Mate Development Limited	Hong Kong 15 October 2014	HK$1	100%	100%	Hong Kong	Investment holding
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Magic Bright Investments Limited	BVI 18 September 2007	20 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	100 ordinary shares of US$1 each	51%	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Mount Eastern Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
New Venture Enterprises Limited	Hong Kong 26 October 2010	HK$1	100%	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	HK$2	100%	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	HK$2	100%	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	HK$2	100%	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Pacific Sunrise Holdings Limited	BVI 16 January 2013	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Pat Daive (China) Limited	Hong Kong 1 November 1994	HK$2	100%	100%	Hong Kong	Investment holding
Portspin Limited	BVI 22 May 1997	123,980 ordinary share of US$0.001 each	100%	100%	Hong Kong	Investment holding
Power Fast Holdings Limited	Hong Kong 11 March 2008	HK$1	100%	100%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	HK$2	78.11%	78.11%	Hong Kong	Investment holding

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2017 (note a)	Attributable equity interest held 2016 (note a)	Place of operation	Principal activities
Profit Estate Limited	BVI 30 October 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Rainbow Yield Investments Limited	BVI 4 July 2016	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Regal Victory Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Renown Best Limited	BVI 18 February 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Rightidea Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Rimmer Investments Limited	BVI 22 July 1994	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Selfers Limited	BVI 29 November 1995	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shanghai Bai-Xing Properties Co., Ltd. (Note d)	PRC 2 February 1999	Registered and paid up capital RMB146,761,000	78.11%	78.11%	PRC	Property development and property investment
Shanghai Cai Xing Properties Development Co., Ltd. (Note b)	PRC 16 May 2014	Registered capital RMB3,600,000,000 paid up capital RMB2,150,000,000	99%	99%	PRC	Property development
Shanghai Fu Ji Properties Co., Ltd. (Note b)	PRC 18 January 2004	Registered and paid up capital US$35,773,000	99%	99%	PRC	Property development
Shanghai Fu-Xiang Properties Co., Ltd. (Note b)	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	77.33%	77.33%	PRC	Property development and property investment
Shanghai Ji-Xing Properties Co., Ltd. (Note d)	PRC 2 February 1999	Registered and paid up capital RMB69,452,000	78.11%	78.11%	PRC	Property development and property investment
Shanghai JingFu Property Co., Ltd. (Note b)	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	99%	PRC	Property development
Shanghai Jiu Hai Rimmer Properties Co., Ltd. (Note b)	PRC 1 November 1994	Registered and paid up capital US$30,000,000	62.49%	62.49%	PRC	Property development and property investment

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2017	Attributable equity interest held 2016	Place of operation	Principal activities
			(note a)			
Shanghai Knowledge and Innovation Community Development Co., Ltd (Note b)	PRC 9 June 2010	Registered and paid up capital HK$1,550,000,000	50.49%	99%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd. (Note d)	PRC 6 September 2006	Registered and paid up capital US$1,890,000	100%	100%	PRC	Food and beverage services
Shanghai Rui Chen Property Co., Ltd. (Note d)	PRC 6 May 1996	Registered and paid up capital RMB189,000,000	100%	100%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd. (Note d)	PRC 28 December 2010	Registered and paid up capital RMB3,900,000,000	78.11%	78.11%	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd. (Note c)	PRC 2 July 2001	Registered and paid up capital RMB6,700,000,000	77.6%	99%	PRC	Property development and property investment
Shanghai Shui On Club Business Management Co., Ltd. (Note d)	PRC 29 July 2010	Registered capital is RMB1,000,000 and paid up capital RMB200,000	100%	100%	PRC	Provision of business management services
Shanghai Tai Ping Qiao Properties Management Co., Ltd. (Note d)	PRC 31 August 2001	Registered and paid up capital US$198,000	78.11%	78.11%	PRC	Property management
Shanghai Xin-Tian-Di Plaza Co., Ltd. (Note d)	PRC 2 February 1999	Registered and paid up capital RMB98,261,000	78.11%	78.11%	PRC	Property development and property investment
Shanghai Xing-Qi Properties Co., Ltd. (Note d)	PRC 2 February 1999	Registered and paid up capital RMB266,653,000	78.11%	78.11%	PRC	Property development and property investment
Shanghai Yang Pu Centre Development Co., Ltd. (Note b, g)	PRC 26 August 2003	Registered and paid up capital US$137,500,000	44.268%	86.8%	PRC	Property development and property investment
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	100%	Hong Kong	Investment holding and debt financing
Shui On Granpex Limited	Hong Kong 13 January 1997	HK$2	100%	100%	Hong Kong	Investment holding
Shui On Knowledge and Innovation Partners	Cayman Islands 6 September 2016	1 ordinary share of US$1	100%	100%	Hong Kong	Acting as general partner
Shui On Land Management Limited	Hong Kong 12 May 2004	HK$1	100%	100%	Hong Kong	Provision of management services
Shine First Limited	BVI 25 October 2006	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2017 (note a)	Attributable equity interest held 2016 (note a)	Place of operation	Principal activities
Shine Prime Investments Limited	BVI 2 November 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	HK$1	100%	100%	Hong Kong	Provision of secretarial services
Silomax Limited	BVI 25 March 1996	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sino Atrium Global Limited	BVI 3 June 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sinomount Holdings Limited	BVI 18 October 2013	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Sino Ascend Holdings Limited	BVI 9 February 2015	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Sino City (Hong Kong) Limited	Hong Kong 9 January 2014	HK$1	78.11%	78.11%	Hong Kong	Investment holding
Sino Gate Developments Limited	BVI 3 June 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sino Heritage Holdings Limited	BVI 28 October 2013	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Sino Luck International Limited	BVI 3 June 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sino Tone Investments Limited	BVI 26 July 2016	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Smart Century Limited	Hong Kong 18 October 2007	HK$1	100%	100%	Hong Kong	Investment holding
Success Field Holdings Limited	BVI 28 July 2016	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Strategic Glory Limited	BVI 28 May 2014	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Success Champion Investments Limited	Hong Kong 26 March 2014	HK$1	100%	100%	Hong Kong	Investment holding
Success Sino Investment Limited	Hong Kong 6 November 2013	HK$1	100%	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	HK$1	100%	100%	Hong Kong	Investment holding
Super Victory Global Limited	BVI 30 May 2014	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2017	(note a) 2016	Place of operation	Principal activities
Taipingqiao Holding Company Limited	BVI 25 October 2011	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Team Sky Enterprises Limited	BVI 8 July 2016	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Toprace Corporate Limited	BVI 28 February 2014	1 ordinary share of US$1	78.11%	78.11%	Hong Kong	Investment holding
Top Glory (H.K.) Limited	Hong Kong 7 February 2014	HK$1	78.11%	78.11%	Hong Kong	Investment holding
Top Faith Development Limited	Hong Kong 18 April 2008	HK$1	100%	100%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	HK$1	51%	100%	Hong Kong	Investment holding
Trendex Investment Limited	Hong Kong 6 January 1997	HK$91,920,000	78.11%	78.11%	PRC	Property investment
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
True Perfect Investments Limited	BVI 3 July 2014	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Value Land Investment Limited	Cayman Islands 2 September 2011	1,010,000 ordinary shares of US$0.01 each	100%	100%	Hong Kong	Investment holding
Victory Win Development Limited	Hong Kong 18 April 2008	HK$1	100%	100%	Hong Kong	Investment holding
Winsome Sino Limited	BVI 11 October 2013	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Wise Keen International Limited	Hong Kong 24 April 2008	HK$1	100%	100%	Hong Kong	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd. (Note d)	PRC 2 August 2005	Registered and paid up capital US$273,600,000	100%	100%	PRC	Property development and property investment
上海百麗房地產開發有限公司 (Shanghai Baili Property Development Co., Ltd.*)	PRC 29 August 2002	Registered and paid up capital RMB100,000,000	-	100%	PRC	Property development and property investment
上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*) (Note d)	PRC 18 January 2004	Registered and paid up capital RMB37,079,950	100%	100%	PRC	Property management

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2017 (note a)	Attributable equity interest held 2016 (note a)	Place of operation	Principal activities
上海豐誠楊浦物業管理有限公司 (Shanghai Feng Cheng Yang Pu Property Management Co., Ltd*) (Note e)	PRC 21 July 2010	Registered and paid up capital RMB950,000	100%	100%	PRC	Property management
上海豐誠虹口物業管理有限公司 (Shanghai Feng Cheng Hongkou Property Management Co., Ltd*) (Note e)	PRC 17 July 2015	Registered capital RMB500,000 paid up capital nil	100%	100%	PRC	Property management
上海瑞橋企業管理有限公司 (Shanghai Rui Qiao Enterprise Management Co., Ltd.*) (Note e, g)	PRC 23 April 2009	Registered and paid up capital RMB1,000,000	44.268%	86.8%	PRC	Property development
上海瑞展教育信息咨詢有限公司 (Shanghai Rui Zhan Education Information Consultant Co., Ltd.*) (Note e)	PRC 20 April 2010	Registered capital RMB2,000,000 and paid up capital RMB100,000	100%	100%	PRC	Provision of education information and consultancy services
瑞安管理(上海)有限公司 (Shui On Management Limited*) ("formerly known as "上海瑞安房地產發展有限公司") (Note d)	PRC 14 June 2004	Registered and paid up capital US$58,000,000	100%	100%	PRC	Provision of management services
上海速和物業管理有限公司 ("formerly known as ("上海豐誠速和物業管理有限公司") (Note e)	PRC 25 November 2015	Registered capital RMB500,000 and paid up capital nil	100%	100%	PRC	Property management
上海家連商貿有限公司 (Note e)	PRC 25 November 2015	Registered capital RMB1,000,000 and paid up capital nil	100%	100%	PRC	Retail and trade business
武漢瑞安商祺房產管理有限公司 (Wuhan Shuion Shangqi Real Estate Management Co., Ltd) (Note d)	PRC 24 July 2012	Registered and paid up capital US$14,400,000	78.11%	78.11%	PRC	Property investment
武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd.*) (Note d)	PRC 8 January 2007	Registered and paid up capital US$1,800,000	100%	100%	PRC	Retail business
上海夏欣商業管理有限公司 (Shanghai Best Scene Commercial Management Co., Ltd*) (Note d)	PRC 31 May 2012	Registered and paid up capital US$25,000,000	78.11%	78.11%	PRC	Provision of management services
上海新天地商業管理有限公司 (Shanghai Xintiandi Management Limited*) (Note d)	PRC 25 February 2013	Registered and paid up capital US$10,000,000	78.11%	78.11%	PRC	Provision of management services
上海新天地品牌管理有限公司(Shanghai Xintiandi Branding Management Limited*) (Note d)	PRC 9 October 2014	Registered capital RMB500,000 paid up capital nil	78.11%	78.11%	PRC	Provision of management services

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2017 (note a)	Attributable equity interest held 2016 (note a)	Place of operation	Principal activities
新天地商務管理(上海)有限公司 (Xintiandi Commercial Management (Shanghai) Limited*) (Note d)	PRC 28 August 2014	Registered capital RMB500,000 paid up capital RMB50,200.40	78.11%	78.11%	PRC	Provision of management services
上海新天地直擊文化傳播有限公司 (Shanghai Xintiandi Live Culture & Event Co., Ltd.) (Note d)	PRC 28 June 2014	Registered capital RMB2,800,000 paid up capital nil	78.11%	78.11%	PRC	Cultural diffusion and business information consulting
新天地(上海)酒店管理有限公司 (Xintiandi (Shanghai) Hospitality Management Co., Ltd.*) (Note d)	PRC 17 March 2014	Registered and paid up capital RMB2,800,000	100%	100%	PRC	Hotel management
大連嘉銳科技發展有限公司 (Dalian Jiarui Science & Technology Development Co., Ltd.*) (Note d)	PRC 5 November 2009	Registered and paid up capital US$10,000,000	100%	100%	PRC	Science and technology development
重慶豐德豪門實業有限公司 (Chongqing Fengde Haomen Industrial Co., Ltd.*) (Note e)	PRC 26 April 2006	Registered and paid up capital RMB10,000,000	100%	100%	PRC	Property development
瑞安建築有限公司 (Shui On Construction Co., Ltd.*) (Note b)	PRC 27 April 1985	Registered and paid up capital RMB100,000,000	100%	85%	PRC	Provision of construction services
上海德基諮詢有限公司 (Shanghai De Ji Consultant Co., Ltd.*) (Note d)	PRC 13 May 2003	Registered and paid up capital US$140,000	100%	100%	PRC	Provision of consultancy services
上海德建裝飾工程有限公司 (Shanghai De Jian Decoration Construction Co., Ltd.*) (Note d)	PRC 5 August 2008	Registered and paid up capital US$800,000	100%	100%	PRC	Provision of decoration services
上海衡景貿易有限公司 (Shanghai Heng Jin Trading Co., Ltd.*) (Note d)	PRC 1 August 2011	Registered and paid up capital RMB50,000,000	100%	100%	PRC	Retail business
上海創派投資諮詢有限公司 (Shanghai Chuang Pai Investment Consultancy Co., Ltd.*) (Note d)	PRC 30 July 2015	Resigtered and paid up capital RMB43,500,000	100%	100%	PRC	Investment management
上海瑞安創智商業經營管理有限公司 (Shanghai Rui An Chuang Zhi Business Management Co., Ltd.*) (Note e, g)	PRC 12 December 2013	Registered and paid up capital RMB500,000	44.268%	86.8%	PRC	Provision of management and consultancy services
上海瑞新房產經營有限公司 (Note d)	PRC 12 January 2015	Registered and paid up capital RMB265,000,000	100%	100%	PRC	Property management
武漢企業天地環球智慧商業管理有限公司 (Note e)	PRC 3 December 2015	Registered and paid up capital RMB100,000	78.11%	78.11%	PRC	Provision of management services

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (note a) 2017	2016	Place of operation	Principal activities
上海磐鋭投資管理有限公司 (Note e)	PRC 28 March 2016	Registered and paid up capital RMB50,000,000	100%	100%	PRC	Investment management
上海雋復企業管理有限公司 (Note d)	PRC 20 June 2016	Registered and paid up capital RMB10,000,000	98%	98%	PRC	Provision of management services
上海興雋設計諮詢有限公司 (Note e)	PRC 8 July 2016	Registered and paid up capital RMB8,000,000	98%	98%	PRC	Provision of consultancy services
上海澤辰房地產經營有限公司 (Note d)	PRC 1 December 2017	Registered capital RMB20,000,000	100%	-	PRC	Property development
創派(深圳)科技孵化器有限公司 (Note d)	PRC 22 September 2017	Registered capital RMB3,000,000	100%	-	PRC	Investment management
上海瑞安知社商業管理有限公司 (Note d)	PRC 14 September 2016	Registered and paid up capital RMB20,000,000	100%	100%	PRC	Provision of management services
上海庚立實業有限公司 (Note d)	PRC 10 November 2016	Registered and paid up capital RMB1,400,000,000	100%	100%	PRC	Property development
上海盛甫企業管理咨詢有限公司 (Note e)	PRC 1 December 2016	Registered and paid up capital RMB1,390,000,000	100%	100%	PRC	Provision of management and consultancy services
廣州市瑞磐新安電子商務有限公司 (Note d)	PRC 16 November 2016	Registered and paid up capital RMB50,000,000	100%	100%	PRC	Electronic commerce
上海駿興房地產開發有限公司	PRC 5 March 2009	Registered and paid up capital RMB4,661,300,000	98%	98%	PRC	Property development and property investment
瑞安天地企業管理(重慶)有限公司 (Note b)	PRC 21 June 2017	Registered and paid up capital RMB5,000,000	100%	-	PRC	Provision of management services
南京瑞安知社商業管理有限公司 (Note d)	PRC 1 December 2017	Registered capital RMB5,000,000 paid up capital nil	100%	-	PRC	Provision of management services

Notes:

a. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
b. This Company is a sino-foreign equity joint venture.
c. This Company is a sino-foreign cooperative joint venture.
d. This Company is a wholly-foreign owned enterprise.
e. This Company is a wholly-domestic owned enterprise.
f. Except for Shui On Development (Holding) Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2017 or at any time during the year.
g. This company is a subsidiary of Bright Power Enterprises Limited, in which the Group holds 51% (2016: 100%) of equity interests in 2017.
h. This company ceased to be a subsidiary and became an associate of the Group. Detail see note 37(a).
* For identification purposes

49. PARTICULARS OF MAJOR SUBSIDIARIES (CONTINUED)

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

	Proportion of equity interest held by non-controlling shareholders At 31 December		Profit allocated to non-controlling shareholders Year ended 31 December		Accumulated non-controlling interests At 31 December	
	2017	2016	**2017 RMB'million**	2016 RMB'million	**2017 RMB'million**	2016 RMB'million
Name of subsidiary						
China Xintiandi	**21.89%**	21.89%	**27**	159	**3,034**	3,012
Individually immaterial subsidiaries with non-controlling interests	**N/A**	N/A	**55**	80	**2,461**	1,402
			82	239	**5,495**	4,414

Summarised financial information in respect of China Xintiandi is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	At 31 December	
	2017 RMB'million	2016 RMB'million
Current assets	**1,717**	1,674
Non-current assets	**24,138**	24,668
Current liabilities	**1,557**	1,940
Non-current liabilities	**9,721**	9,932
Equity attributable to shareholders of China Xintiandi	**13,859**	13,757

	Year ended 31 December	
	2017 RMB'million	2016 RMB'million
Revenue	**1,133**	1,068
Profit and total comprehensive income for the year	**122**	757
Dividend paid to owner of convertible perpetual securities	**–**	15
Dividend paid to non-controlling shareholder of China Xintiandi	**15**	927
Net cash from (used in) operating activities	**557**	(505)
Net cash from investing activities	**372**	3,811
Net cash used in financing activities	**(997)**	(5,686)
Net cash outflow	**(68)**	(2,380)

FINANCIAL SUMMARY

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December

	2013 RMB' million	2014 RMB' million	2015 RMB' million	2016 RMB' million	2017 RMB' million
Turnover	9,828	10,249	6,472	17,600	**18,451**
Profit attributable to shareholders	2,125	1,778	788	1,088	**1,669**
Owners of convertible perpetual securities	–	224	174	–	–
Owners of perpetual capital securities	314	311	316	337	**459**
Owners of convertible perpetual capital securities	–	–	61	112	**114**
Non-controlling shareholders of subsidiaries	266	172	428	239	**82**
Profit for the year	**2,705**	**2,485**	**1,767**	**1,776**	**2,324**

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December

	2013 RMB' million	2014 RMB' million	2015 RMB' million	2016 RMB' million	2017 RMB' million
Investment properties	50,273	58,162	55,600	56,620	**47,989**
Property, plant,and equiptment	3,577	1,418	2,268	1,845	**1,187**
Properties under development for sale	22,711	14,684	20,102	21,838	**18,112**
Properties held for sale	1,536	4,648	2,560	4,865	**8,058**
Interests in associates	2,740	3,959	4,402	4,400	**1,030**
Interests in joint ventures	700	1,805	2,939	783	**5,839**
Account receivables, deposits, and prepayments	5,237	9,222	10,951	13,326	**8,734**
Other assets	1,648	1,995	7,734	2,969	**6,583**
Pledged bank deposits, bank balances and cash	10,180	12,430	10,614	15,567	**16,760**
Total assets	98,602	108,323	117,170	122,213	**114,292**
Current liabilities	19,229	20,387	29,910	34,700	**31,594**
Non-current liabilities	37,199	43,014	41,142	41,257	**33,523**
Total liabilities	56,428	63,401	71,052	75,957	**65,117**
Net assets	42,174	44,922	46,118	46,256	**49,175**
Equity attributable to:					
Shareholders of the Company	36,155	37,811	36,645	37,450	**38,282**
Owners of convertible perpetual securities	–	2,898	16	1	**1**
Owners of convertible perpetual capital securities	–	–	1,346	1,345	**1,345**
Owners of perpetual capital securities	3,094	3,051	3,050	3,046	**4,052**
Non-controlling shareholders of subsidiaries	2,925	1,162	5,061	4,414	**5,495**
Total equity	**42,174**	**44,922**	**46,118**	**46,256**	**49,175**

PER SHARE DATA

for the year ended 31 December

	2013	2014	2015	2016	2017
Basic earnings per share (RMB)	0.28	0.22	0.10	0.14	**0.21**
Dividend per share					
– Interim paid (HK$)	0.022	0.022	0.022	0.011	**0.03**
– Final proposed (HK$)	0.040	0.040	0.028	0.039	**0.07**
– Full year (HK$)	0.062	0.062	0.050	0.050	**0.10**
Bonus shares	–	–	–	–	–

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Vincent H. S. LO (Chairman)
Mr. Douglas H. H. SUNG
(Managing Director and Chief Financial Officer)

Non-executive Director

Mr. Frankie Y. L. WONG

Independent Non-executive Directors

Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW
Mr. Anthony J. L. NIGHTINGALE

AUDIT AND RISK COMMITTEE

Professor Gary C. BIDDLE (Chairman)
Dr. Roger L. McCARTHY
Mr. David J. SHAW

REMUNERATION COMMITTEE

Dr. William K. L. FUNG (Chairman)
Mr. Vincent H. S. LO
Professor Gary C. BIDDLE

NOMINATION COMMITTEE

Mr. Vincent H. S. LO (Chairman)
Sir John R. H. BOND
Professor Gary C. BIDDLE

FINANCE COMMITTEE

Mr. Vincent H. S. LO (Chairman)
Mr. Frankie Y. L. WONG (Vice Chairman)
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Mr. Douglas H. H. SUNG
Mr. Anthony J. L. NIGHTINGALE

COMPANY SECRETARY

Mr. UY Kim Lun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Freshfields Bruckhaus Deringer
Mayer Brown JSM

REGISTERED OFFICE

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

CORPORATE HEADQUARTERS

26/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021
PRC

PLACE OF BUSINESS IN HONG KONG

34/F, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House - 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China Limited
China Development Bank
China Merchants Bank Co., Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank Limited
United Overseas Bank Limited

STOCK CODE

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WEBSITE

www.shuionland.com

INVESTOR RELATIONS

Ms. Michelle K. P. SZE
Telephone: (86 21) 6386 1818 Ext. 310
Email: sol.ir@shuion.com.cn
Address: 26/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021
PRC

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