

KWG PROPERTY HOLDING LIMITED

Incorporated in the Cayman Islands with limited liability Stock Code: 1813

Annual Report 2016



Build
home
with
heart

Create
future
with
Aspiration

Creativity

Diversification

Quality



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Corporate Information

Directors

Executive Directors

Mr. Kong Jian Min (*Chairman*)

Mr. Kong Jian Tao

(*Chief Executive Officer*)

Mr. Kong Jian Nan

Mr. Li Jian Ming

Mr. Tsui Kam Tim

Mr. He Wei Zhi

(*resigned on 2 December 2016*)

Independent Non-executive Directors

Mr. Lee Ka Sze, Carmelo, JP

Mr. Tam Chun Fai

Mr. Li Bin Hai

Company Secretary

Mr. Tsui Kam Tim

Authorised Representatives

Mr. Kong Jian Min

Mr. Tsui Kam Tim

Audit Committee

Mr. Tam Chun Fai (*Chairman*)

Mr. Lee Ka Sze, Carmelo, JP

Mr. Li Bin Hai

Remuneration Committee

Mr. Tam Chun Fai (*Chairman*)

Mr. Kong Jian Min

Mr. Li Bin Hai

Nomination Committee

Mr. Kong Jian Min (*Chairman*)

Mr. Tam Chun Fai

Mr. Li Bin Hai

Registered Office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business in Hong Kong

Suite 7506, Level 75

International Commerce Centre

1 Austin Road West

Kowloon, Hong Kong

Principal Share Registrar and Transfer Agent

Royal Bank of Canada Trust

Company (Cayman) Limited

4th Floor

Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited

17M Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited

China Construction Bank

Corporation

Industrial and Commercial Bank of China Limited

The Bank of East Asia, Limited

Standard Chartered Bank (China) Limited

Standard Chartered Bank

(Hong Kong) Limited

Shanghai Pudong Development Bank Co., Ltd.

China Minsheng Banking Corp. Ltd.

Hang Seng Bank (China) Limited

Hang Seng Bank Limited

Auditor

Ernst & Young

Legal Advisors

as to Hong Kong law:

Sidley Austin

as to Cayman Islands law:

Conyers Dill & Pearman

Website

www.kwgproperty.com

Stock Code

1813 (Main Board of The Stock Exchange of Hong Kong Limited)

Corporate Profile



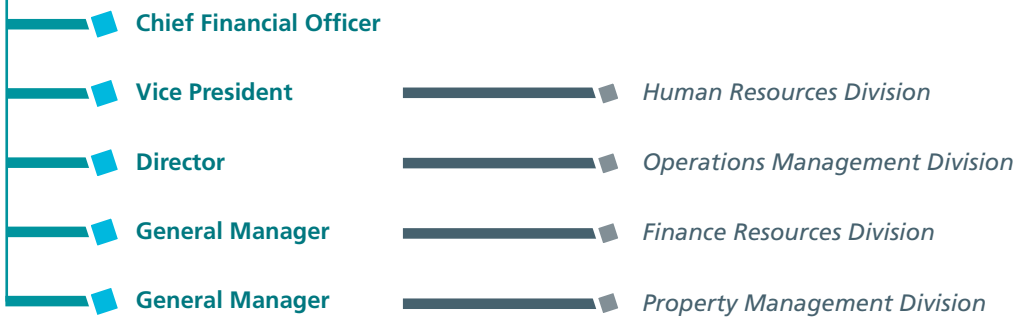
Founded in 1995, KWG Property Holding Limited (“KWG Property” or the “Company”, together with its subsidiaries, collectively the “Group”) is now one of the leading large-scale property developers in Guangzhou. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 1813) in July 2007. Since its establishment, KWG Property has been focusing on the development, sales, operation and management of high quality properties.

Over the past 22 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including medium to high-end residential properties, serviced apartments, villas, offices, hotels and shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou, Foshan, Nanning and Hainan as its hubs for South China, Suzhou, Shanghai, Hangzhou, Nanjing and Hefei for East China, Chengdu for South-west China, Beijing and Tianjin for the Bohai Rim region.

The Group has always adhered to a prudent land bank replenishment strategy. Its current land bank is sufficient for the Group’s development in the coming 4–5 years. The Group will focus on the development of residential properties while seeking to deploy more resources for the establishment of a diversified property development portfolio in the future. In order to keep the profit portfolio steady, spread the investment risks and ensure the stable development, the Group will strengthen the residential properties as our main force by implementing a prudent growth strategy, while increasing the proportion of commercial properties, such as offices, hotels and high-end shopping malls, to be held in long-term.

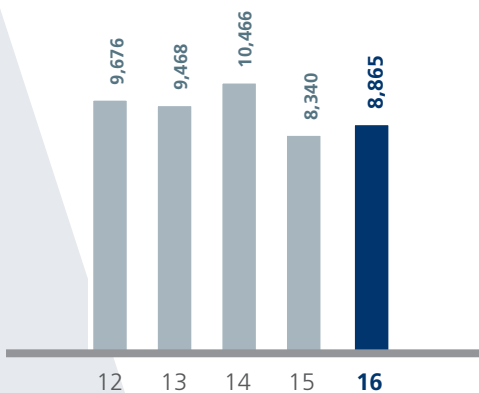
Management Structure of the Group

- emphasis on a cohesive team and collaboration
- clearly-defined division of staff and duties
- nurturing talents and providing internal promotion

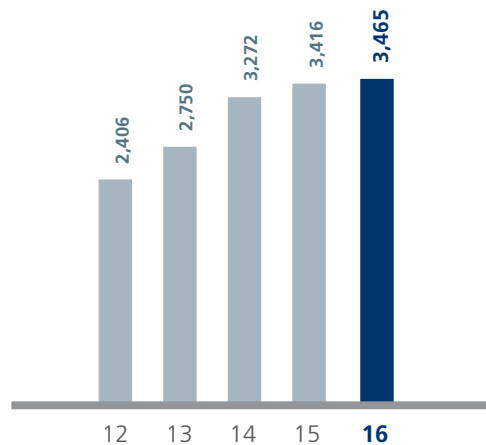


Financial Highlights

Revenue
(in RMB Million)



Profit Attributable to Owners of the Company
(in RMB Million)



■ Board of Directors

■ Chairman

■ Chief Executive Officer

■ Tendering Committee



	Year Ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
CONSOLIDATED RESULTS					
Revenue	8,865,329	8,339,756	10,465,788	9,468,002	9,676,422
Profit attributable to owners of the Company	3,464,714	3,416,248	3,272,225	2,749,769	2,406,368
Earnings per share attributable to owners of the Company (RMB cents) – Basic and diluted	115	115	112	95	83
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	110,741,810	79,681,417	71,547,015	61,590,384	48,864,460
Total liabilities	86,732,898	57,322,501	51,110,599	43,748,222	33,511,081



Honours and Awards

Year	Award	Project/Branch	Institution
Jan 2017	Election of Benchmark Properties in Beijing: 2017 Expectation-worthy Property in Beijing	Beijing District	The Beijing News
Jan 2017	2016 Most Appealing Property in Commercial District	Shanghai Ufun	Xinjiangwan City Street
Dec 2016	2016 Prudent Property Enterprise	The Group	news.mrcjcn.com
Dec 2016	Most Influential Brand	The Group	www.focus.cn
Dec 2016	2016 Innovative Corporate Operation Award	The Group	Netease House
Dec 2016	Member Unit of Peaceful Community Alliance in China	The Group	www.xinhuanet.com



Year	Award	Project/Branch	Institution
Dec 2016	2016 Tencent's Choice for Regional Influence in Sichuan: Resident-friendly Exemplary Property	Chengdu Cosmo	Tencent
Dec 2016	2016 Masterpiece of Grade A Office, Benchmark of Grade A Office for Headquarters in Guangxi	Guangxi International Finance Place	Nanning Evening News, Radio 950
Dec 2016	2016 Outstanding Performance in Commercial Properties in Shanghai	Shanghai Vision of the World	Fang.com
Sep 2016	2016 Leading Brand Enterprise in Professional Property Service in China	Ningjun Property	China Index Academy
Jan 2016	2016 Best Resident-friendly Exemplary Property	Hainan Villa Como	www.focus.cn



Chairman's Statement

Dear Shareholders:

I am pleased to present the annual results of the Group for the 12 months ended 31 December 2016. The Group recorded total revenue of approximately RMB8,865 million, representing an increase of 6.3% from the same period of 2015. Profit attributable to owners of the Company was approximately RMB3,465 million.

1 New Phase of Development with Strategic Adaptation

The Group has established a solid foundation with its experience over the past years through strategic positioning and accurate insights on market demands. The Group reported stable growth in sales during the year, as it continued to explore the trends of property markets in tier-one and tier-two cities and launched brand new projects as well as new phases of existing projects in popular cities to meet the changing demands.

The net inflow of population is an indicator of a city's growth potential. In the foreseeable future, China's purchasing power will continue to be dominated by people from tier-one and higher tier-two cities, especially the younger generation. The Group continued to gain momentum in existing cities during the reporting period where it had already entered, while seizing opportunity to acquire premium sites for land bank replenishment.

After more than 20 years of development, the Group has established its presence in cities like Beijing, Shanghai, Guangzhou, Tianjin, Suzhou, Hangzhou, Nanjing, Foshan, Nanning, Hainan and Chengdu, while expanding its footprint to Hefei at the end of the year, with 67 projects in total.



“Our meticulous attention to details and pursuance of exquisite quality allow customers to have higher expectation. While optimizing the value of land, we endeavor to provide customers with an extraordinary lifestyle.”

2 Building A Solid Foundation by Gaining Market Share in Popular Cities

During the year, the inventory level was reducing rapidly in tier-one and higher tier-two cities thanks to the favorable policy direction from the Central Government. Imbalances in demand and supply were noted in tier-one cities, as developers’ strong replenishment demand coincided with limited land. Consequently, the pent-up demand was partially shifted to higher tier-two cities nearby tier one cities, driving up land prices in these areas.

During the year, the Group acquired 12 new sites in the auction market or through merger and acquisition, adding land bank with an attributable gross floor area (“GFA”) of approximately 2.37 million sq.m. Land sites acquired during the year were mainly replenishments in cities where we had already established presence, such as Guangzhou, Shanghai, Hangzhou and Foshan, as our expansion footprint reached out from Guangzhou to South China, East China, North China and Southwest.

At the end of the year, the Group acquired land pieces in Hefei, a city with potential for great sales volume and sound profit expectation.

At the end of the year, the Group had a land bank with an attributable GFA of more than 11.3 million sq.m.

3 Improvement in Overall Financing Costs through Domestic Bond Issuances

During the year, the Group capitalised on the opening of domestic bond market and issued three tranches of domestic corporate bonds with a total amount of RMB11.3 billion. Moreover, Guangzhou Tianjian Real Estate Development Limited, a wholly-owned subsidiary of the Group, also completed the issuance of RMB2,200 million public bonds and RMB6,500 million non-public bonds. In aggregate, the Group has successfully issued domestic corporate bonds of RMB20 billion in total. These exercises have further broadened

our financing channels and optimised our debt profile, and significantly decreased our overall finance costs to 6%.

Meanwhile, in view of the possibility of potential RMB depreciation, the Group has sought to mitigate its risks of exchange losses by positioning certain hedge trades.

During the year, the Group was given an "AAA" rating by China Chengxin Securities Rating Co., Ltd., a domestic rating agency, as well as "BB-" issuer and debt ratings with stable outlook by Fitch Ratings, the international rating agency.

4 Steady Progresses with Commercial Properties

In recent years, the Group has been stepping up to deploy commercial properties by building and upgrading of its operation team, driving gradual progress in commercial development. As most of the Group's commercial projects have been developed as part of mixed-use complexes, the lived-in residential community will generate sufficient foot traffic to shopping malls. The opening of U Fun, the shopping centre in Xinjiangwan, Shanghai during the first half of the year was followed by the commencement of Tian Hui Plaza at the heart of Pearl River New Town, Guangzhou in the second half of the year. The Group expects to unveil a variety of different types of malls in the next few years to bring new shopping experiences to customers.

The office projects of the Group are typically well-situated at prime urban locations. In addition to selective en-bloc or strata title sale, the Group had also retained the ownerships of certain offices for lease during the year. Examples would be the International Commerce Place in Pazhou, Guangzhou and the Global Metropolitan Plaza in Guangzhou. The maturation of commercial projects is expected to contribute stable recurring income to the Group on a long-term basis.

5 Enhancing Internal Operations and Management

The Group has started to manage its own property sales through in-house sales team since mid-2015. Execution has been significantly improved with the re-allocation of staff under the centralised management of our regional companies and the formulation of stringent appraisals and incentives system. The engagement of in-house sales teams facilitates efficient communications between customers and the Group for latest information as well as direct customer feedback.

At the end of the year, the Group introduced its "future+" strategy, which enhances customer service through analysis of big data generated from commercial/residential products, providing further value-adding services and pleasant experiences to customers and potential buyers through after-sales services, in addition to the premium products.

In the meantime, the Group remains well aware that the trust and support from customers is always earned by excellence in design, product quality and the creation of a comfortable living environment. Product design will be one of the core factors determining success in competition. Our hard-earned experiences as well as advice from industry experts both suggest that design and layout of the product is of crucial importance. Our design team will continue to focus on R&D to strive for the best possible product to tailor for our customers.

6 Outlook

At the Central Economic Work Conference held on 14 December 2016, it was reiterated that regulation over the property market in 2017 would be focused on “destocking and de-bubbling, as well as expedited efforts to study the development of a long-term mechanism with regards to the property market”. Two weeks later, the Ministry of Housing and Urban-Rural Development issued the “Bulletin on the Inspection of Rectifications by the CPC Party Organisation for Housing and Urban-Rural Development”, calling for “Tight control of property prices in popular cities and destocking of housing inventories in tier-three, tier-four and county cities”. With the policy tone confirmed, the Group expects a period of correction for the property market in 2017.

The Group remains convicted that, despite the stringent regulatory control announced for major cities, the development of the property market will continue to be driven by the gentrification and urbanisation over the longer term, as population flow will still be drawn to tier-one cities or higher tier-two cities around tier-one cities. In 2017, the Group plans to launch a number of brand new projects in Hangzhou, Guangzhou, Nanning, Foshan, Shanghai and Tianjin, offering mainly residential units for end-users and home upgraders. In addition, more complementary products with good marketability, such as serviced apartments, offices and commercial properties, will also be offered to market to sustain sales growth and gain market share on all fronts.

The Group currently owns a land bank sufficient for its development in the next 4–5 years. In 2017, we will adopt a prudent approach and focus on opportunistic land acquisition sources other than public auctions.

7 Appreciation

On behalf of the Group and the board of directors (the “Board”), I would like to express uttermost gratitude to all shareholders, investors, partners and customers who have stood by the Group through thick and thin over the past 22 years, offering strong support and understanding without which the Group could not have gone this far. Thanks are also owed to my fellow directors, management and all employees, who have underpinned the Group’s path of success with their hard work and dedication. In gratitude, the Group will remain committed to the development of its core business and strive to herald a better future for all shareholders.

Kong Jianmin
Chairman

21 March 2017



Management Discussion and Analysis







Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds, net of business tax and value-added tax, from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties, (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered and (iv) property management fee income. The revenue is primarily generated from its four business segments: property development, property investment, hotel operation and property management.

The revenue amounted to approximately RMB8,865.3 million in 2016, representing an increase of 6.3% from approximately RMB8,339.8 million in 2015.

In 2016, the revenue generated from property development, property investment, hotel operation and property management were approximately RMB7,923.0 million, RMB182.4 million, RMB389.8 million and RMB370.1 million, respectively.

Property development

Revenue generated from property development increased by 4.8% to approximately RMB7,923.0 million in 2016 from approximately RMB7,563.2 million in 2015, primarily due to an increase in the total GFA delivered to 631,100 sq.m. in 2016 from 551,525 sq.m. in 2015. The effect of increase in total GFA delivered is partially offset by a decrease in recognised average selling price to RMB12,554 per sq.m. in 2016 from RMB13,713 per sq.m. in 2015.

Property investment

Revenue generated from property investment increased by 18.1% to approximately RMB182.4 million in 2016 from approximately RMB154.4 million in 2015.

Hotel operation

Revenue generated from hotel operation increased by 6.2% to approximately RMB389.8 million in 2016 from approximately RMB367.1 million in 2015. Such increase was mainly contributed by the Mulian Hangzhou which commenced soft launch in September 2015.



Property management

Revenue generated from property management increased by 45.1% to approximately RMB370.1 million in 2016 from approximately RMB255.1 million in 2015, primarily attributable to an increase in the number of properties under management. The increase in revenue was also attributable to an increased proportion of commercial properties under management with higher management fee per sq.m.

Cost of Sales

Cost of sales of the Group primarily represents the costs we incur directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, cost of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the period of construction.

Cost of sales increased by 8.7% to approximately RMB5,795.0 million in 2016 from approximately RMB5,330.3 million in 2015, mainly due to the increase in total GFA delivered in sales of properties.

Land cost per sq.m. increased from RMB3,096 in 2015 to RMB3,219 in 2016, due to the change in delivery portfolio with different city mix as compared with that in 2015.

Construction cost per sq.m. slightly decreased from RMB4,490 in 2015 to RMB4,334 in 2016.

Gross Profit

Gross profit of the Group slightly increased by 2.0% to approximately RMB3,070.3 million in 2016 from approximately RMB3,009.4 million in 2015. The Group reported a gross profit margin of 34.6% for 2016 as compared with 36.1% for 2015.

Other Income and Gains, Net

Other income and gains increased by 609.7% to approximately RMB731.7 million in 2016 from approximately RMB103.1 million in 2015, mainly comprising foreign exchange difference of approximately RMB304.6 million, interest income of approximately RMB169.7 million and management fee income related to our joint venture projects of approximately RMB72.4 million.



Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 16.7% to approximately RMB322.8 million in 2016 from approximately RMB276.5 million in 2015, mainly due to an increase in advertising for our projects, such as the Summit in Guangzhou, the More in Hangzhou, and International Metropolis Plaza in Shanghai.

Administrative Expenses

Administrative expenses of the Group increased by 25.1% to approximately RMB969.2 million in 2016 from approximately RMB774.7 million in 2015, primarily attributable to an increased staff cost. The commercial department of the Group has expanded in tandem with the development of the Group's commercial property sector. Two of the commercial properties of the Group, namely U fun in Shanghai and Tian Hui Plaza in the Pearl River New Town, Guangzhou, launched officially during the reporting period. In addition, the Group acquired 12 land parcels in different cities in 2016, in which Hefei was a newly entered city. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentive schemes as well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB118.2 million in 2016 (2015: approximately RMB30.7 million), mainly comprising premium paid on early redemption of senior notes.

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB165.9 million for 2016 (2015: approximately RMB709.7 million), mainly related to various leaseable commercial properties in various regions. The fair value gains attributable to those leaseable commercial properties, including the Apex in Guangzhou, International Metropolis Plaza in Shanghai, and Global Metropolitan Plaza in Guangzhou, were approximately RMB129.0 million for 2016. Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss. Such gains were mainly contributed by Tian Hui Plaza and International Commerce Place in Guangzhou.



Finance Costs

Finance costs of the Group being approximately RMB159.9 million in 2016 (2015: approximately RMB10.5 million), were related to the borrowing costs on certain general corporate loans, corporate bonds and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

Income Tax Expenses

Income tax expenses decreased by 14.7% to approximately RMB1,065.9 million in 2016 from approximately RMB1,249.2 million in 2015, primarily due to a decrease in the provision for land appreciation tax ("LAT") in 2016.

Profit for the Year

The Group reported profit for the year of approximately RMB3,461.6 million for 2016 (2015: approximately RMB3,413.2 million). Net profit margin decreased to 39.0% for 2016 from 40.9% for 2015, as a result of the cumulative effect of the foregoing factors.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2016, the carrying amounts of the Group's cash and bank balances were approximately RMB26,901.6 million (31 December 2015: approximately RMB12,566.1 million).

Pursuant to relevant regulations in the People's Republic of China (the "PRC"), certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2016, the carrying amount of the restricted cash was approximately RMB1,130.7 million (31 December 2015: approximately RMB1,619.6 million).

Borrowings and Charges on the Group's Assets

As at 31 December 2016, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB11,190.6 million, RMB8,558.3 million and RMB23,201.1 million respectively. Amongst the bank and other loans, approximately RMB4,753.5 million will be repayable within 1 year, approximately RMB3,678.4 million will be repayable between 2 and 5 years and approximately RMB2,758.7 million will be repayable over 5 years. The Group's senior notes and domestic corporate bonds will be repayable between 2 and 5 years.

As at 31 December 2016, the Group's bank and other loans of approximately RMB11,190.6 million were secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying value of approximately RMB15,640.3 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares. The Group's domestic corporate bonds was guaranteed by the Company.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately HK\$1,487.3 million as at 31 December 2016 which were denominated in Hong Kong dollar respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB1,319.2 million which were charged at fixed interest rates as at 31 December 2016. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2016. The Group's domestic corporate bonds were denominated in RMB and charged at fixed interest rates as at 31 December 2016.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2016, the gearing ratio was 66.8% (31 December 2015: 69.0%).

Risk of Exchange Rate Fluctuation

The Group mainly operates in Mainland China, so most of its revenues and expenses are measured in RMB. In additions, except for the above mentioned, the Company's domestic corporate bonds were denominated in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

During 2016, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar decreased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

- (i) As at 31 December 2016, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB7,330.0 million (31 December 2015: approximately RMB5,608.9 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements as at 31 December 2016 and 2015 for the guarantees.

- (ii) As at 31 December 2016 and 2015, the Group had provided guarantees in respect of certain bank loans for joint ventures.

Employees and Emolument Policies

As at 31 December 2016, the Group employed a total of approximately 6,100 employees. The total staff costs incurred was approximately RMB604.0 million during the financial year ended 31 December 2016. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

As at 14 July 2016, total of 30,000 share options were exercised and as at 25 August 2016 a balance of 4,585,250 share options were lapsed. There was no outstanding share option under the Company's share option scheme was adopted pursuant to the shareholders' resolution passed on 11 June 2007. Details of share option movement for the year ended 31 December 2016 were disclosed in this annual report.

Market Review

Mainland China's property market went through a roller-coaster ride in 2016, as buying enthusiasm dominated for some time in the earlier part of the year, before gradually normalize. The property market has been trending up since mid-2015 in the wake of policy relaxations yet more notably in the beginning of 2016. Pent-up demand started to be unleashed in a blowout, first in tier-one cities such as Beijing, Shanghai and Shenzhen and then shifted to higher tier-two cities such as Hefei, Nanjing, Hangzhou and Wuhan. Halfway through the year, the sustained exuberance further translated into rather out-of-control price escalation. Property transaction finally began to slow down after the Central Government reintroduced austerity measures in the fourth quarter to curb over-heated market conditions in tier-one and tier-two cities.

Record-breaking sales in property led to soaring land prices. Due to the shortage in land supply in tier-one cities, unfulfilled demand shifted to higher tier-two cities, where developers were jumping on the bandwagon to acquire land. According to the statistics of Centaline Property Research Centre, there were 9 cities in Mainland China, namely, Suzhou, Nanjing, Shanghai, Hangzhou, Tianjin, Hefei, Wuhan, Chongqing and Shenzhen, in which total land premium accumulated of over RMB100 billion in 2016. The amount was significantly higher than any historical records, and tier-two cities accounted for a predominant percentage.

Property developers enjoyed a favourable financing window with relaxed monetary policy, lower interest costs and broadened fund-raising channels. Many developers seized the opportunity to raise funds at low interest rates by issuing domestic bonds.

Business Review

The Group launched products to meet customers' needs in 2016 and completed its annual sales targets thanks to the strategic positioning in tier-one and tier-two cities over the years. In terms of pre-sales contributions, out of the 41 projects that were for sale, 51% of the pre-sales were contributed by Guangzhou, Beijing and Shanghai, while the remaining 49% were contributed by higher tier-two cities, notably Hangzhou, Chengdu and Nanning.

During the reporting period, the Group focused on launching new phases from existing projects after obtaining thorough market analysis. A variety of new products were launched in popular regions to replenish saleable resources in response to heightened buyers' interest. Products launched by the Group during the year were mainly units with GFA of 89–130 sq.m. designed for end-users and first-time upgraders. These were complemented by larger units with GFA of 150 sq.m. or above.

The Moon Mansion is a low-density residential complex in the Future Science City of Hangzhou with a greenery ratio of 30%, located in close proximity to stations of the Metro Line No. 5 currently under construction. During the reporting period, fitted units with GFA of 89–115 sq.m. bespoke to local requirements were launched. Thanks to its superior location and comprehensive supporting facilities, such as retail shops and schools, as well as the high level of brand recognition in the Future Science City, the selling price of the project has been on the steep rise since its launch in August 2016. Meanwhile, The Core of Centre in Wuxiang New City in Nanning has been receiving much enthusiasm by local buyers for its close distance to developing metro stop, unobstructed views of Wuxiang Lake and educational facilities that are already in operation. Units launched during the year comprised mainly fitted residential units with GFA of 89–123 sq.m.

After 22 years of incessant exploration and assessment, the Group is well aware that a stable financial system and strong cash flow are important to a company's development. During the reporting period, the Group closely monitored changes in financing policy and market window, as it successfully issued domestic corporate bonds at favorable interest rates in March and April, respectively, through its wholly-owned subsidiary Guangzhou Tianjian Real Estate Development Limited, to raise proceeds of RMB8,700 million (before related issuance expenses) in aggregate. In the latter half of the year, three tranches of non-public domestic corporate bonds with lower interest rates were also issued in July and September through the Company to raise a total of RMB11,300 million (before related issuance expenses). In January 2017, the Group issued a USD250 million (before related issuance expenses) senior note to replace USD senior notes issued in previous years with higher coupon rates. Such issuances have significantly lowered

our financing costs and improved our debt profile, while gradually reducing the proportion of offshore bonds to lessen foreign exchange exposure.

Regarding land resources, supply in tier-one and higher tier-two cities has fallen short of demand in recent years, owing to an increasing population, fast inventory destocking coinciding with a continued decline in land supply. Consequently, property developers were eager to replenish their land bank for future developments. During the reporting period, gross and average land prices in tier-one cities and higher tier-two cities continued to rise, especially in regions around tier-one cities. To continue with its stance in tier-one and higher tier-two cities over time, the Group acquired 12 sites located variously in Guangzhou, Foshan, Shanghai, Hangzhou, Nanning, Chengdu and Hefei during the reporting period to facilitate expansion in scale and sustain future development. Hefei was the new city that we entered into in 2016. These sites were situated either at the heart of cities we already have operations in, such as the Shenhua Project and Qiaosi Project in Hangzhou, or in new city districts, such as the Beijiao Project in Foshan, Wuxiang New City Project IV in Nanning, or in touristic suburb areas famous for beautiful natural scenery, such as the Dayi Project in Chengdu. During the year, the Group acquired new sites with an attributable GFA of approximately 2,374,000 sq.m.

As at 31 December 2016, the Group owned 67 projects in 12 cities across Mainland China with an attributable land bank of approximately 11.3 million sq.m., sufficient to meet the Group's development need in the next 4-5 years.

To introduce a new business element and encourage long-term recurring income, the Group launched U Fun, the green shopping centre in Xinjiangwan, Shanghai and Tian Hui Plaza, a high-end shopping mall in the Pearl River New Town, Guangzhou during the year, in addition to office properties for lease in various cities, such as the International Commerce Place in Pazhou, Guangzhou and the Global Metropolitan Plaza in Guangzhou. The launch of commercial projects is set to contribute stable cash flow to the Group on an on-going basis. At the end of the year, the Group introduced its "future+" strategy, which proposed to deliver premium designs, proven product quality and after-sales services to customers, through the synergy

of combined resources from residential, commercial and property management, aiming to further magnify the Group's influence in the industry.

Investment Properties and Hotels

1) Hotels

As at 31 December 2016, the Group had five hotels in operation, including hotels run by leading hotel management companies, such as Four Points by Sheraton Guangzhou, Dongpu, Sheraton Guangzhou Huadu Resort and W Hotel Guangzhou, as well as hotels owned and operated by the Group, such as The Mulian Hotels in Guangzhou and Hangzhou.

These hotels are located either at prime areas in city centres to cater business or leisure travelers, or in suburb areas with beautiful scenery. After years of improvements, these hotels have built solid reputation and enjoyed steady growth in revenue by maintaining and expanding customer bases through premium services and business-friendly environments.

2) Completed Investment Properties Available for Lease

The Group's investment properties comprise mainly International Finance Place ("IFP") in Pearl River New Town, Guangzhou completed in 2007, and U Fun Shopping Centre in Xinjiangwan, Shanghai and Tian Hui Plaza in Pearl River New Town, Guangzhou completed in 2016.

Since its opening, IFP has been able to maintain a high occupancy rate consistently for long periods. Such success is mainly attributable to: 1) convenient location at the heart of Pearl River New Town; and 2) pleasant working environment and excellent property management services. IFP reported an occupancy rate of 98.8% as at 31 December 2016 as it continued to stay atop peers in the region in terms of occupancy rate. Major tenants included the private bank departments of Bank of China, Industrial and Commercial Bank of China, Standard Chartered Bank and ten other foreign banks.

U Fun in Shanghai, the Group's first shopping centre, was opened during the first half of the year. This was followed by the unveiling of Tian Hui Plaza in Pearl River New Town, Guangzhou in the second half of the year. The official opening of these two shopping centres has provided a benchmark for the Group's further expansion in the commercial property sector. In future, the Group expects to launch more shopping centres in cities such as Beijing, Chengdu and Suzhou.

Business Outlook

In 2017, the Central Government is expected to maintain its regulatory grip and put forward different measures across cities based on the principle of "housing properties for accommodation, not speculative trading" stated at the meeting of the Central Economic Work Conference, with a view to developing a long-term mechanism compatible with Mainland China's economic conditions and market developments.

The Group is scheduled to launch a great number of brand new projects in Guangzhou, Shanghai, Foshan, Nanning and Hangzhou in 2017. These will include Zhucun Project in Guangzhou, Songjiang Project in Shanghai, Beijiao Project in Foshan, Wuxiang New City Project IV in Nanning, Xiaoshan Project and Shenhua Project in Hangzhou. The new projects will comprise mainly residential for end-users and upgraders. In the meantime, the Group also looks to launch new phases of existing projects which have been quite established in their respective local markets, such as The Summit in Guangzhou, Oriental Bund in Foshan, Sky Ville in Chengdu, The Moon Mansion in Hangzhou and The Core of Centre in Nanning, to ensure timely replenishment of saleable resources. In 2017, the Group and Logan Property Holdings Company Limited ("Logan") jointly made a successful bid for a premium residential site at Lee Nam Road, Ap Lei Chau of Hong Kong for a total consideration of HK\$16.855 billion. The Group and Logan have 50% ownership of the project, respectively. The site area is over 126,500 sq. ft., with a total gross floor area of more than 760,000 sq. ft. Leveraging on the Group's market recognition, years of experience as well as proven track record in high-

end developments in property market, the collaboration is expected to take advantage of each other's respective strengths and to achieve a win-win cooperation. In addition, it will lay the foundation for the Group's long term strategic positioning in Hong Kong property market.

Overview of the Group's Property Development

As at 31 December 2016, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan and Hefei.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
1.	The Summit	Guangzhou	Residential / villa / serviced apartment / office / retail	1,668	100
2.	Global Metropolitan Plaza	Guangzhou	Office / retail	40	50
3.	Tian Hui Plaza (included The Riviera and Top Plaza)	Guangzhou	Serviced apartments / office / hotel / retail	69	33.3
4.	The Star	Guangzhou	Serviced apartment / office / retail	199	100
5.	Top of World	Guangzhou	Villa / serviced apartment / office / hotel / retail	490	100
6.	The Eden	Guangzhou	Residential / retail	9	50
7.	Zengcheng Gua Lv Lake	Guangzhou	Villa / hotel	43	100
8.	Essence of City	Guangzhou	Residential / villa / retail	317	100
9.	International Commerce Place (formerly called Guangzhou Pazhou Project)	Guangzhou	Office / retail	50	50
10.	CFC-Mayfair (formerly called Guangzhou Finance City Project)	Guangzhou	Serviced apartment / office / retail	102	33.3
11.	The Horizon	Guangzhou	Residential / retail	113	35
12.	Guangzhou Zhucun I & II	Guangzhou	Residential / villa / retail	267	50
13.	IFP	Guangzhou	Office / retail	61	100
14.	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
15.	Sheraton Guangzhou Huadu Resort	Guangzhou	Hotel	25	100
16.	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartment	80	100
17.	The Mulian Guangzhou	Guangzhou	Hotel	8	100
18.	The Sapphire	Suzhou	Residential / serviced apartment / hotel / retail / office	72	100
19.	Suzhou Apex	Suzhou	Residential / serviced apartment / hotel / retail	103	90

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
20.	Suzhou Emerald	Suzhou	Residential / retail	2	100
21.	Leader Plaza	Suzhou	Serviced apartment / office / retail	26	100
22.	Wan Hui Plaza	Suzhou	Office / retail	60	100
23.	Suzhou Jade Garden	Suzhou	Residential / retail	7	100
24.	The Vision of the World	Chengdu	Residential / serviced apartment / retail	49	100
25.	Chengdu Cosmos	Chengdu	Residential / serviced apartment / office / hotel / retail	425	100
26.	Chengdu Sky Ville	Chengdu	Residential / serviced apartment / office / hotel / retail	308	50
27.	Yoonshang (formerly called Chengdu Dayi Project)	Chengdu	Residential / villa / retail / hotel	618	55
28.	Fragrant Seasons	Beijing	Residential / villa / serviced apartment / retail	19	100
29.	La Villa	Beijing	Residential / retail	13	50
30.	Beijing Apex	Beijing	Residential / villa / serviced apartment / office / retail	65	50
31.	M • Cube	Beijing	Retail	16	100
32.	Summer Terrace	Beijing	Residential / villa / retail	20	100
33.	KWG Center I	Beijing	Serviced apartment / office / retail	128	100
34.	KWG Center II	Beijing	Serviced apartment / office / retail	125	100
35.	Rose and Ginkgo Mansion	Beijing	Residential / villa	16	33
36.	Pearl Coast	Hainan	Villa / residential / hotel	201	100
37.	Moon Bay Project	Hainan	Villa / residential / hotel / retail	421	100
38.	International Metropolis Plaza (formerly called Pudong Project)	Shanghai	Office / retail	78	100
39.	The Core of Center	Shanghai	Residential / serviced apartment / office / retail	44	50
40.	Shanghai Apex	Shanghai	Residential / serviced apartment / hotel / retail	38	100
41.	Shanghai Sapphire	Shanghai	Serviced apartment / hotel / retail	48	100
42.	Shanghai Emerald	Shanghai	Residential / retail	52	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
43.	Amazing Bay	Shanghai	Residential / serviced apartment / hotel / office / retail	62	50
44.	Vision of the World	Shanghai	Residential / serviced apartment / retail	138	100
45.	Shanghai Songjiang Project	Shanghai	Residential	122	100
46.	Jinnan New Town	Tianjin	Residential / villa / serviced apartments / retail	590	25
47.	Boulevard Terrace I	Tianjin	Residential / retail	47	100
48.	Boulevard Terrace II	Tianjin	Residential / villa / retail	32	100
49.	Tianjin Binhai Project	Tianjin	Residential / villa / retail	262	100
50.	The Core of Center	Nanning	Residential / villa / office / retail	433	87
51.	Guangxi International Finance Place	Nanning	Office / retail	62	87
52.	Guangxi Top of World	Nanning	Residential / villas / hotel / retail	388	87
53.	Wuxiang New City Project IV	Nanning	Residential / retail	316	100
54.	Hangzhou Jade Garden	Hangzhou	Residential	47	100
55.	Hangzhou La Bali	Hangzhou	Residential / villa	3	100
56.	The More	Hangzhou	Residential	5	100
57.	The Mulian Hangzhou	Hangzhou	Hotel / retail	18	100
58.	The Moon Mansion	Hangzhou	Residential	109	51
59.	Hangzhou Xiaoshan Project	Hangzhou	Residential / villa	56	100
60.	Hangzhou Shenhua Project	Hangzhou	Residential / villa	50	100
61.	Hangzhou Qiaosi Project	Hangzhou	Residential / retail	70	50
62.	Shine City	Nanjing	Residential / office / retail	49	50
63.	Oriental Bund	Foshan	Residential / villa / office / retail	1,296	50
64.	Foshan Shunde Project	Foshan	Residential / retail	305	100
65.	Foshan Fuxi Project	Foshan	Residential	89	33.3
66.	Hefei Luyang Project I	Hefei	Residential / retail	139	100
67.	Hefei Luyang Project II	Hefei	Residential / retail	81	100

Project Summary



Guangzhou – 17 projects

Total Attributable GFA:
approximately 3,620,000 sq.m.

- The Summit
- Tian Hui Plaza (included The Riviera & Top Plaza)
- Global Metropolitan Plaza
- The Star
- Top of World
- The Eden
- Zengcheng Gua Lv Lake
- Essence of City
- International Commerce Place (formerly called Guangzhou Pazhou Project)
- CFC – Mayfair (formerly called Guangzhou Finance City Project)
- The Horizon
- Guangzhou Zhucun I & II
- IFP
- Four Points by Sheraton Guangzhou, Dongpu
- Sheraton Guangzhou Huadu Resort
- W Hotel/W Serviced Apartments
- The Mulian Guangzhou

Foshan – 3 projects

Total Attributable GFA:
approximately 1,690,000 sq.m.

- Oriental Bund
- Foshan Shunde Project
- Foshan Fuxi Project

Nanning – 4 projects

Total Attributable GFA:
approximately 1,199,000 sq.m.

- The Core of Center
- Guangxi International Finance Place
- Guangxi Top of World
- Wuxiang New City Project IV

Hainan – 2 projects

Total Attributable GFA:
approximately 622,000 sq.m.

- Pearl Coast
- Villa Como

Shanghai – 8 projects

Total Attributable GFA:
approximately 581,000 sq.m.

- International Metropolis Plaza (formerly called Pudong Project)
- The Core of Center
- Shanghai Apex
- Amazing Bay
- Shanghai Sapphire
- Shanghai Emerald
- Vision of World
- Shanghai Songjiang Project

Hangzhou – 8 projects

Total Attributable GFA:
approximately 358,000 sq.m.

- Hangzhou Jade Garden
- Hangzhou La Bali
- The More
- The Mulian Hangzhou
- The Moon Mansion
- Hangzhou Shenhua Project
- Hangzhou Xiaoshan Project
- Hangzhou Qiaosi Project

Suzhou – 6 projects

Total Attributable GFA:
approximately 273,000 sq.m.

- The Sapphire
- Suzhou Apex
- Suzhou Emerald
- Leader Plaza
- Wan Hui Plaza
- Suzhou Jade Garden

Nanjing – 1 project

Total Attributable GFA:
approximately 49,000 sq.m.

- Shine City

Beijing – 8 projects

Total Attributable GFA:
approximately 402,000 sq.m.

- Fragrant Seasons
- La Villa
- Beijing Apex
- M • Cube
- Summer Terrace
- KWG Center I
- KWG Center II
- Rose and Ginkgo Mansion

Tianjin – 4 projects

Total Attributable GFA:
approximately 931,000 sq.m.

- Jinnan New Town
- Boulevard Terrace I
- Boulevard Terrace II
- Tianjin Binhai Project

Chengdu – 4 projects

Total Attributable GFA:
approximately 1,400,000 sq.m.

- The Vision of the World
- Chengdu Cosmos
- Chengdu Sky Ville
- Yoonsang (formerly called Chengdu Dayi Project)

Hefei – 2 projects

Total Attributable GFA:
approximately 220,000 sq.m.

- Hefei Luyang Project I
- Hefei Luyang Project II

Directors and Senior Management's Profile

Director

Executive Directors

Kong Jian Min, aged 49, is the founder of the Group and an executive director and the Chairman of the Company. Mr. Kong is also a member of the remuneration committee and the Chairman of the nomination committee of the Company. Mr. Kong is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, business operation and sales and marketing. Mr. Kong graduated from Jinan University majoring in computer science in 1989. Mr. Kong has over 22 years of experience in property development and investment. Mr. Kong is a brother of Kong Jian Tao and Kong Jian Nan. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands (the "BVI"), various subsidiaries incorporated in the PRC and two subsidiaries incorporated in Hong Kong.

Kong Jian Tao, aged 46, is an executive director and the Chief Executive Officer of the Company. Mr. Kong is responsible for the overall operation of the Group's projects. He has over 22 years of experience in property development and has been a director of the Group since 1995. Mr. Kong is a brother of Kong Jian Min and Kong Jian Nan. Saved as disclosed above, Mr. Kong is also a director of most of subsidiaries incorporated in the BVI, various subsidiaries incorporated in the PRC and two subsidiaries incorporated in Hong Kong.

Kong Jian Nan, aged 51, is an executive director and executive vice president of the Company. Mr. Kong is responsible for coordinating and managing human resources, administrative management, IT management and legal affairs of the Group. He is a graduate of China Central Radio and TV University and joined the Group in 1999. Mr. Kong is a brother of Kong Jian Min and Kong Jian Tao. Saved as disclosed above, Mr. Kong is also a director of most of subsidiaries incorporated in the BVI and various subsidiaries incorporated in the PRC and three subsidiaries incorporated in Hong Kong.

Li Jian Ming, aged 50, is an executive director of the Company, a vice president of the operations management division and a general manager of the Southern China region of the Group. Mr. Li graduated from South China University of Technology, majoring in industrial and civil construction. Mr. Li joined the Group in 1995 and had held the position of vice president in the engineering management division. He was appointed as an executive director of the Company in June 2007. Currently, Mr. Li is responsible for the internal and regional engineering management, tenders, group procurement and product standardisation of the Group. Save as disclosed above, Mr. Li is also a director of various subsidiaries incorporated in the PRC.

Tsui Kam Tim, aged 48, is an executive director, the Chief Financial Officer and the Company Secretary of the Company. Mr. Tsui is primarily responsible for the financial management and supervision of financial reporting, corporate finance, treasury, tax, risk management including internal control and other finance-related matters. Mr. Tsui graduated from Australia National University with a bachelor's degree in commerce and he is a professional member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he was a senior manager of an international firm of certified public accountants. Mr. Tsui joined the Group in January 2007 as the Chief Financial Officer and was appointed as an executive director of the Company in November 2007. Saved as disclosed above, Mr. Tsui is also a director of one subsidiary incorporated in the British Virgin Islands and various subsidiaries incorporated in Hong Kong.

Independent Non-Executive Directors

Lee Ka Sze, Carmelo JP, aged 56, is an independent non-executive director and a member of the audit committee of the Company. Mr. Lee joined the Company in June 2007. He received a bachelor's degree in Laws and the Postgraduate Certificate in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory and has been a partner of Messrs. Woo, Kwan, Lee & Lo since 1989. Mr. Lee is an independent non-executive director of Esprit Holdings Limited and China Pacific Insurance (Group) Co., Ltd.; and a non-executive director of CSPC Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company Limited, Termbray Industries International (Holdings) Limited and Yugang International Limited, all of which are listed on the Stock Exchange. Mr. Lee was appointed as a convenor cum member of the Financial Reporting Review Panel of The Financial Reporting Council in July 2016. Mr. Lee has been the chairman of the Listing Committee of the Stock Exchange from May 2012 to July 2015 after serving as a deputy chairman and a member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003, respectively.

Tam Chun Fai, aged 55, is an independent non-executive director, the Chairman of the audit committee, the Chairman of the remuneration committee and a member of the nomination committee of the Company. Mr. Tam joined the Company in June 2007. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and is also a member of Chartered Financial Analyst. Mr. Tam has over 31 years of experience in auditing and corporate advisory services as well as financial management and compliance work. He is an executive director, the Chief Financial Officer and the Company Secretary of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange and is an independent non-executive director of Hi Sun Technology (China) Limited, a company listed on the Main Board of the Stock Exchange.

Li Bin Hai, aged 67, is an independent non-executive director, a member of each of the remuneration committee, the nomination committee and the audit committee of the Company. He was the former Chairman of Poly Real Estate Group Co., Ltd. ("Poly Real Estate", together with its subsidiaries, the "Poly Real Estate Group"), a company listed on the Shanghai Stock Exchange and retired on 31 May 2010 after 20 years at the helm of Poly Real Estate. Before his retirement, he held various positions within the Poly Real Estate Group, including the general manager of Guangzhou Poly Real Estate Development Corporation, director and deputy general manager of Poly Southern Group Co., Ltd. and chief economist of China Poly Group Corporation.

Senior Management

Luo Xiao Yun, aged 49, is the director of the legal affairs division of the Group and assistant to the Group's Chairman. Ms. Luo joined the Group in November 2009 and is responsible for the overall operations and management of legal affairs. Ms. Luo graduated from Zhongshan University with a bachelor's degree in laws and subsequently was admitted to practise in the PRC as a qualified solicitor. Ms. Luo is a practising solicitor with extensive working experience in financial investment, corporate law and civil and commercial law. Prior to joining the Group, Ms. Luo began her legal career at the Foreign Economic and Trade Cooperation Committee and was a solicitor in other law firms.

Directors and Senior Management's Profile

Lin Kai Ping, aged 43, is the general manager of property management division of the Group. Ms. Lin joined the Group in April 2004 and was the general manager of Guangzhou Ningjun Property Management Limited. She is now mainly responsible for the Group's property management in China. Ms. Lin graduated from the University of International Business and Economics majoring in administration management. Prior to joining to the Group, Ms. Lin worked in a world's leading British property management company. She has 24 years of extensive working experiences in property management.

Luo Qing, aged 52, is the general manager of the Northern China district of the Group. Mr. Luo graduated from South China University of Technology with a bachelor's degree in architectural engineering and is a registered supervision engineer, possessing extensive experience in project management. Mr. Luo joined the Group in 2001 and was the general manager of the Chengdu office of the Group. He is now mainly responsible for the management and operation of the Northern China district of the Group. Before joining the Group, Mr. Luo was a general manager of a construction supervision company.

Chen Wen De, aged 39, is the general manager of the Eastern China district of the Group. Mr. Chen joined the Group in March 1997 and was project manager, supervisor and the general manager of the Suzhou office. Mr. Chen is mainly responsible for the overall management and operation of the Eastern China district of the Group.

Li Ning, aged 52, is the director of product research and development of the Group. Mr. Li joined the Group in November 2010 and is mainly responsible for the development and design of products of the Group. Mr. Li is a grade-one national registered architect and senior architecture design engineer. Mr. Li graduated from Murdoch University with a master of business administration. Mr. Li has 28 years of experience in designing large-scaled integrated architecture and operational management.

Chen Guang Chuan, aged 48, is the vice president of the Group. Mr. Chen graduated from Guangzhou Open University, majoring in business administration. Mr. Chen joined the Group in October 2009 and was the general manager of the Hainan office of the Group. He is now mainly responsible for the management of land reserves in China as well as financing management of the Group. Before joining the Group, Mr. Chen was a general manager of a real estate company.

Ou Jian, aged 38, is the general manager of the Central and Southern China district of the Group. Mr. Ou graduated from Guangzhou University majoring in property operation and management. Mr. Ou joined the Group in 2 May 2013 and is primarily responsible for the overall management and operation of the Central and Southern China district of the Group.

Cai Feng Jia, aged 47, is the city general manager of the Hangzhou and Chengdu companies of the Group. Mr. Cai graduated from Hunan University with a bachelor's degree in industrial design and is a registered designer. Mr. Cai joined the Group in 2007 and is currently primarily responsible for the overall management and operation of the Huangzhou and Chengdu companies of the Group. Mr. Cai worked in Guangdong Provincial Architectural Design Institute from 1992 to 2005.

Compliance with the Corporate Governance Code

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor's confidence and the Company's accountability and transparency, but also important to the Company's long-term success. Key practices adopted by the Company on corporate governance are as follows:

- Develop and review the Company's policies and practices on corporate governance
- Review and monitor the training and continuous professional development of directors and senior management
- Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements

The Group strives to attain and maintain effective corporate governance practices and procedures. The Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") throughout the year.

Board of Directors

The Board is in charge of the task of maximizing the financial performance of the Company and making decisions in the best interest of the Company. The Board is responsible for formulating business policies and strategies, directing and supervising management of the Group, adopting and monitoring internal business and management control, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, considering dividend policy, reviewing and monitoring the Company's systems of financial control and risk management. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the executive directors and management of the Company.

As at 31 December 2016, the Board consists of eight members, including five executive directors, Mr. Kong Jian Min (Chairman), Mr. Kong Jian Tao (Chief Executive Officer), Mr. Kong Jian Nan, Mr. Li Jian Ming and Mr. Tsui Kam Tim and three independent non-executive directors, Mr. Lee Ka Sze, Carmelo, JP, Mr. Tam Chun Fai and Mr. Li Bin Hai. Biographical details of the directors are set out on pages 26 to 27. Messrs. Kong Jian Min, Kong Jian Tao and Kong Jian Nan are brothers. Save as disclosed above, there is no family or other material relationship among members of the Board.

All executive directors have entered into service contracts with the Company for a specific term of three years. Under the Articles of Association of the Company (the "Articles of Association"), the Board is empowered to appoint any person as a director to fill the casual vacancy on or as an additional director of the Board. According to the board diversity policy, the Board considers a candidate's experience, skill and knowledge and competency and ability to fulfill duty of care and diligence and fiduciary duty and recommendation by the nomination committee (if any).

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. All independent non-executive directors have confirmed their independence of the Company and the Company considers them to be independent in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. All independent non-executive directors have entered into letters of appointment with the Company for a specific term of one year. One third of the directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association.

All directors, including independent non-executive directors, have given sufficient time and effort to the affairs of the Group. Independent non-executive directors have provided the Board with their diversified expertise, experience and professional advice. The directors come from diverse background with varied expertise in finance, legal and business field. The Board believes that the ratio between executive directors and independent non-executive directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Board also believes that the views and participation of the independent non-executive directors in the Board and committee meetings provides independent judgment on the issues relating to strategy, performance, conflict of interest and management process to ensure that the interests of all shareholders are considered and safeguarded. The Company has maintained an updated list of its directors identifying their roles and functions on websites of the Company and the Stock Exchange. Independent non-executive directors are identified as such in all corporate communications that disclose the names of directors of the Company.

All directors have full and timely access to all relevant information in relation to the Group's businesses and affairs as well as unrestricted access to the advice and services of the Company Secretary, who is responsible for providing directors with board papers and related materials. The directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

The Company has subscribed appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against directors arising out of corporate activities.

During the year of 2016, the Board held seven meetings, 3 of which was for the purpose of (a) share allotment approval immediately after Mr. Lee Ka Sze, Carmelo JP had exercised the share options under the share option scheme adopted on 11 June 2007; (b) allotment of shares relating to final dividend for the year ended 2015; and (c) renewal of the tenancy agreement of our Hong Kong office. And a board resolution was passed on 2 December 2016 in relation to the resignation of Mr. He Wei Zhi as an executive director of the Company. At these Board meetings, directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, reviewed the financial performance, the interim result and the annual result. Monthly updates and quarterly management accounts of the Company were provided by the management to the Board members, gave a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable them to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. In addition to Board meetings, the Chairman holds one meeting with independent non-executive directors annually without the presence of executive directors.

The Board, through the audit committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2015 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. The audit committee has reviewed with management and external auditor the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December 2015 and the condensed consolidated interim financial information of the Company for the period ended 30 June 2016. It has also reviewed and recommended to the Board the current policies and practices on corporate governance of the Company, the Company's compliance with the Corporate Governance Code and the disclosure in the corporate governance report. Further, it has reviewed and monitored the training and continuous professional development of directors and senior management, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the current code of conduct applicable to employees and directors and recommended the same to the Board.

Through the remuneration committee, the Board has reviewed remuneration policy and remuneration packages of individual executive directors, non-executive directors and members of senior management with reference to the goals and objectives of the Company.

Through the nomination committee, the Board, basing on the board diversity policy, has reviewed the structure, size and composition of the Board, the qualification of re-election of the directors under rotation system, the assessment of the independence of independent non-executive directors.

Attendances of the individual directors at the Board meetings and the 2015 AGM are set out as follows:

Directors	Board Meetings			Written Resolutions	2015 AGM Attended/ Number of meeting held
	Attended/ Number of meeting held	Attended/ Number of meeting held for the purpose of share allotment approval being share options exercised and final dividend; and renewal of tenancy agreement	Attended/ Number of meeting held		
<i>Executive Directors</i>					
Kong Jian Min (Chairman)	4/4	3/3		1/1	1/1
Kong Jian Tao (Chief Executive Officer)	4/4	0/3		1/1	0/1
Kong Jian Nan	4/4	0/3		1/1	0/1
Li Jian Ming	4/4	0/3		1/1	0/1
Tsui Kam Tim	4/4	3/3		1/1	1/1
He Wei Zhi (resigned on 2 December 2016)	3/4	0/3		0/1	0/1
<i>Independent Non-Executive Directors</i>					
Lee Ka Sze, Carmelo	4/4	0/3		1/1	1/1
Li Bin Hai	4/4	0/3		1/1	1/1
Tam Chun Fai	4/4	0/3		1/1	1/1

At least 14 days' notice prior to the date of meeting is given to all directors and an agenda together with Board papers are sent to all directors no less than three days before the date of meeting. All directors are given opportunity to include in the agenda any other matter that they would like to discuss in the meeting. With respect to the Board committee meeting, reasonable prior notice is given to all committee members. All directors and committee members of the Board committee are urged to attend the Board meeting and Board committee meeting in person. For the directors and committee members, who are unable to attend the meeting, participation through electronic means will be arranged and available.

Should a director have a potential conflict of interest in a matter being considered in the Board meeting, he will be abstained from voting. Independent non-executive directors with no conflict of interest will be present at meetings dealing with such conflict of interest issues.

The Company Secretary assists the Chairman of the Board in preparation of the agenda for the Board meeting and Board committee meetings and ensures that all applicable rules and regulations regarding the Board meeting are followed. He also prepares and keeps detailed minutes of each Board meeting and Board committee meeting. Within a reasonable time after each meeting, the draft minutes are circulated to all directors or committee members for comments and the final and approved version of minutes are sent to all directors or committee members for their records. Board committees, including the audit committee, nomination committee and remuneration committee, all follow the applicable principles, practices and procedures used in Board meetings.

During the year ended 31 December 2016, the Company has organised a training session on the topic of connected transaction for all the directors of the Company to attend. The Company Secretary maintains records of training attended by the directors and Mr. Tsui Kam Tim, the Company Secretary of the Company, during the year of 2016, has undertaken 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Chairman and Chief Executive Officer

Mr. Kong Jian Min is the Chairman of the Board and Mr. Kong Jian Tao is the Chief Executive Officer of the Company. As disclosed, Messrs. Kong Jian Min and Kong Jian Tao are brothers. Despite their relationship, the divisions of responsibilities between the Chairman of the Board and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

Mr. Kong Jian Min, being the Chairman, is responsible for providing leadership to the Board and ensuring that the Board functions effectively; that directors receive in timely manner adequate information which is complete and reliable and that all directors are properly briefed on issues arising at board meetings. The Chairman also encourages directors to participate actively in and to make a full contribution to the Board so that the Board acts in the best interest of the Company.

Mr. Kong Jian Tao, being the Chief Executive Officer, is responsible for the daily operations of the Company, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of Company.

Annual Remuneration Payable to the Members of Senior Management

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

Remuneration Bands (RMB)	Number of Individuals
0–1,000,000	2
1,000,001–2,000,000	5
2,000,001–3,000,000	2
3,000,001–4,000,000	0
4,000,001–5,000,000	0
5,000,001–6,000,000	0
6,000,001–7,000,000	0
7,000,001–8,000,000	0
8,000,001–9,000,000	0

Compliance With Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Specific enquiries have been made with all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the provisions of the Model Code for the financial year ended 31 December 2016.

Directors' Responsibility for the Financial Statements

The directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2016 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" contained in this annual report.

Board Committees

The Board has established three board committees, namely audit committee, remuneration committee and nomination committee, to oversee the particular aspect of the Company's affairs. The board committees are provided with sufficient resources to discharge their duties. The written terms of reference of each committee was posted on the HKEx website and the website of the Company.

Audit Committee and Accountability

In compliance with Rule 3.21 of the Listing Rules, an audit committee was established on 11 June 2007 with written terms of reference in accordance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. As at 31 December 2016, the audit committee comprises three members who are independent non-executive directors, namely Mr. Tam Chun Fai (the Chairman of the audit committee), Mr. Lee Ka Sze, Carmelo, JP, and Mr. Li Bin Hai. The audit committee reports to the Board and is delegated by the Board to assess matters related to the financial statements. Under its terms of reference, the audit committee is required to perform and make recommendation to the Board, amongst the others, the following duties:

- making recommendation to the Board on appointment, re-appointment and removal of external auditor of the Group and considering the remuneration and terms of engagement of that external auditor;
- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;
- reviewing the Group's financial controls, internal control and risk management system;
- reviewing the Group's financial and accounting policies and practices;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control and risk management systems;

- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board;
- reviewing and monitoring the integrity of the Groups' financial statements, annual reports, accounts and half-year report;
- reviewing and monitoring the Company's policies and practices on corporate governance and the relevant legal and regulatory requirements and their compliances.

The audit committee held two meetings and all minutes were kept by the Company Secretary. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statement for the year ended 31 December 2015 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2016. It has also reviewed and recommended to the Board the current policies and practices on corporate governance of the Company, the Company's compliance with the corporate governance code and the disclosure in the corporate governance report. Further, it has reviewed and monitored the training and continuous professional development of directors and senior management, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the current code of conduct applicable to employees and directors and recommended the same to the Board. The audit committee reported that there was no material uncertainty that cast doubt on the Company's going concern ability.

Attendance of individual members of the audit committee at meetings for the year ended 31 December 2016 is set out as follows:

Committee Members	Meetings attended/ Number of meeting held
Tam Chun Fai	2/2
Lee Ka Sze, Carmelo	2/2
Li Bin Hai	2/2

For the year ended 31 December 2016, the external auditor's remuneration in respect of audit services provided to the Group amounted to RMB4,350,000 and fees for non-audit services amounted to an aggregate amount of RMB1,650,000, being the service charge for the review of financial information. Non-audit services mainly consisted of advisory, review and other reporting services.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in accordance with the Code Provision as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the remuneration committee include but not limited to formulate and make recommendations on remuneration policy and remuneration package of the directors and members of senior management to the Board. As at 31 December 2016, the Remuneration Committee comprises an Executive Director, namely Mr. Kong Jian Min, and two Independent Non-executive Directors, namely Mr. Tam Chun Fai (Chairman) and Mr. Li Bin Hai.

One remuneration committee meeting was held on 19 February 2016. It has reviewed and formulated policies in respect of remuneration structure of all directors and senior management of the Company, reviewed the remuneration packages of individual executive directors, non-executive directors and senior management and made recommendations to the Board for its consideration and reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives.

Attendance of individual members of the remuneration committee at meetings for the year ended 31 December 2016 is set out as follows:

Committee Members	Meetings attended/ Number of meeting held
Kong Jian Min	1/1
Tam Chun Fai	1/1
Li Bin Hai	1/1

Nomination Committee

The Nomination Committee was established on 11 June 2007. The Nomination Committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board and making recommendations to the Board on selection of candidates for directorships. As at 31 December 2016, the Nomination Committee comprises an Executive Director, namely Mr. Kong Jian Min (Chairman), and two Independent Non-executive Directors, namely Mr. Tam Chun Fai and Mr. Li Bin Hai.

One nomination committee meeting was held on 19 February 2016 and a written resolution of the nomination committee was passed on 2 December 2016 in relation to the resignation of Mr. He Wei Zhi as an executive director of the Company. It has reviewed the structure, size and composition (including skills, knowledge and experience) of the Board; has assessed the independence of independent non-executive directors and the retired directors for re-election; and has reviewed whether every director gives sufficient time and attention to the company's affairs. The aforesaid review and assessment were recommended to the Board. The board diversity policy was adopted. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, length of service, or professional experience. Other than the above factors, the Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Attendance of individual members of the nomination committee at meetings for the year ended 31 December 2016 is set out as follows:

Committee Members	Meetings attended/ Number of meeting held	Written Resolutions
Kong Jian Min	1/1	1/1
Tam Chun Fai	1/1	1/1
Li Bin Hai	1/1	1/1

Internal Control

The Board is responsible for maintaining sound and effective internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing and monitoring the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate.

The Group's internal control system includes a well-established organisational structure with clear division lines of responsibility and authority. The day-to-day departmental operations is entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the parameter of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Board from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2016. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the audit committee. The Board believes that the existing internal control system is adequate and effective.

Shareholder Relations

The Company understands the importance of maintaining effective mutual communication with its shareholders and values every opportunity to communicate with them. The Company has adopted a policy of disclosing clear and relevant information to shareholders through various channels in a timely manner. Annual and interim reports are printed and sent to all shareholders by post as requested. The Company has also complied with the Listing Rules by posting announcements, notices, annual reports, interim reports, shareholders' circulars and monthly updates on the websites of the Stock Exchange and the Company (<http://www.kwgproperty.com/en/ivr/index.aspx>) for the designated period. Apart from these documents, press releases and newsletters are posted on the Company's website to enhance its transparency. Being constantly updated in a timely manner, the website also contains a wide range of additional information on the Company's business activities.

In addition to publication of information, the annual general meeting of the Company provides a forum for communication between shareholders and directors. The Chairman of the Board personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. Moreover, the briefing on the Company's business and the questions and answer session at the meeting allow shareholders to stay informed of the Group's strategies and goals.

In addition to the Chairman of the Board, the Chairman of the Board committees, or in their absence, other members of the respective committees, the auditor of the Company and the Hong Kong legal advisor of the Company, are available to answer any queries that shareholders may have. The Chairman of the annual general meeting will propose separate resolutions for each issue to be considered at the meeting.

The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices and shareholders' rights are preserved. Notice of annual general meeting is delivered to all shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the Chairman of the Board. Vote results are released by way of publication of an announcement.

Shareholders' rights

Procedures for shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to Article 58 of the Articles of Association, any one or more members 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 ("EGM Requisitionists") shall at all times have the right, by written requisition sent to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The EGM Requisitionists can deposit the written request at the Company's principal place of business in Hong Kong ("Principal Office"), which is presently situated at Suite 7506, Level 75, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The EGM Requisitionists must state in their request(s) the objects of the EGM, and such request must be signed by all the EGM Requisitionists, any may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The share registrar will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the share registrar that the EGM Requisitionists' request is in order, the Company Secretary will arrange the Board to convene an EGM by serving sufficient notice to all the registered shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of this outcome and accordingly, an EGM will not be convened as requested.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the EGM Requisitionists' himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be reimbursed to the EGM Requisitionists by the Company.

Procedures for putting forward proposals at general meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law. However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Company's Articles of Association, no person other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notices(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the investor relations department which contact details are as follows:

Investor Relations Department
KWG Property Holding Limited
Suite 7506, Level 75, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

Fax: (852) 2878 7091

Email: ir@kwgproperty.com

Significant changes in the Company's constitutional documents

During the year ended 31 December 2016, there is no change in the constitutional documents of the Company.

Environmental management and governance

As a leading large-scale property developer in China, KWG Property appreciates that it must enhance environmental management to ensure co-development and harmony with the environments and communities in which its businesses are operated. Such environmental management is based on an integrated application of environmental designs, construction, property management, training and regulations aimed at enhancing environmental awareness, effectiveness and promoting to minimize the impact on the environment as a whole.

Carbon emission

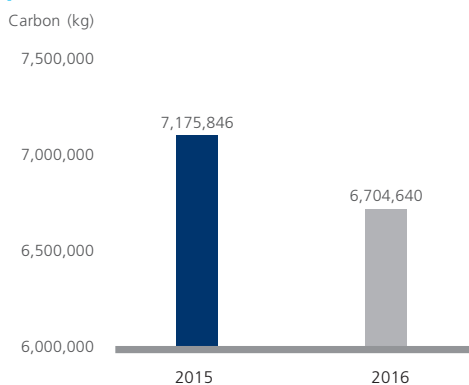
In response to the call of the State to reduce carbon emission, the Group has cut down the overall carbon emission. Meanwhile, starting from this year, we will disclose carbon emission information on a year-on-year basis and reveal our long-term plans and commitments for environmental protection, with a view to upgrading our industry mix and achieving sustainable development.

To lower carbon emission during the cycle of construction in a more effective manner, the Group has set up a “climatic change and sustainable development service team” comprising veteran staffs and professional advisors with proven experience in corporate management, low-carbon consultation and audit. Through capacity building, database management and industry analysis, the Group hopes to be more proactive in carbon reduction. The Group believes that the formation of the climatic change and sustainable development service team will enable us to attain both environmental and financial benefits. The climatic changes and sustainable development service team is responsible for the disclosure of non-financial information, risk assessment and low-carbon strategic planning, investment evaluation for low-carbon projects, as well as consultation and audit relating to low-carbon marks. This management function will be included as an important aspect of the Group’s corporate management.

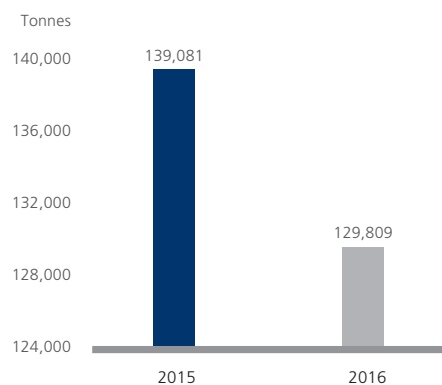
Carbon emission indirectly generated by electricity consumption at Guangzhou headquarters office in 2016 amounted to approximately **6,704,000 kg**, representing decrease by approximately **6.6%** as compared to 2015.

Water consumption at Guangzhou headquarters office in 2016 amounted to approximately **129,800 tonnes**, representing water conservation of approximately **9,200 tonnes** as compared to 2015.

Carbon emission indirectly generated by electricity consumption at Guangzhou headquarters office



Water consumption at Guangzhou headquarters office



Green building

Green building plays a significant role in facilitating the reduction of greenhouse gas emission, electricity and water consumption. How to implement the green building concepts is an urgent issue facing global cities. Since its inception, KWG Property has positioned as a property developer that “build home with heart” for the creation of sustainable communities, and always aimed to reduce carbon emission during the construction cycle through architectural design, planning and management, effective use of energy and ongoing development of new energy forms.

KWG Property takes social responsibility and universal values into consideration with bona fide intentions when it develops a commercial project, instead of being concerned solely with commercial interests. In the architectural designs, spatial quality and the business model, the Group attaches great importance to the experience and feelings of consumers. Artistic details are incorporated in eco-friendly designs as we spare no efforts to explore sustainable development elements in our property projects, aiming to minimize impact on the environment and promote healthy lifestyles as well as economic growth.



Showcase developments: (l) U Fun, Shanghai

U Fun in Shanghai was one of KWG Property's key projects in 2016. Located at the heart of Xinjiangwan, the new hub for luxury residences in Yangpu District, Shanghai, U Fun occupies the only natural green landscape in the central city district of Shanghai. The innovative double-first floor design of the project blends perfectly into the natural ecological views of Xinjiangwan City to create the leisurely atmosphere of a shopping mall on the park which offers a unique experience as one shops in the green environment of nature.

The green elements of U Fun Shanghai are mainly reflected in its creative ideas in architectural designs, such as balconies on the north side to divide the space into multiple levels, as well as the viewing podium on the commercial plaza formed by a bridge and corridor with wide variations. Additional outdoor venues and rest areas have been built, while business area has been increased so that customers may enjoy the maximum degree of river scenery, and feel the natural fun of outdoor shopping.



Showcase developments: (II) The Apex, Guangzhou

KWG Property started to introduce green building elements to its development projects in early 2009. The Apex, widely acclaimed as the “Penthouse Garden”, is undoubtedly a classic model in the Group’s application of green building designs. In respect of material selection and design, the clever use of premium waterproof materials to cover the rooftop of the building has enabled garden landscaping with air purification effects. This design has enhanced the overall insulation of the building while giving it a pleasant-looking appearance. In addition, the Group has cooperated with top international landscape design companies to create a natural and modern Thai-style waterfront garden highlighted by a 100-square metre swimming pool with archipelago features, offering gardening scenes and sights at close intervals.



Showcase developments: (III) International Finance Place, Guangzhou



IFP, the headquarters office of KWG Property, also introduced green elements in its overall architectural design. The development of IFP, a super Grade-A office tower, has been the result of KWG Property’s joint effort with expert teams with proven experience in architecture, scenic views, interior design, curtain walls, mechanical and electrical design. Apart from artistic effects, the interior design of IFP also boasts advanced environmental designs that take into account practical elements such as daylight, visitors’ flow, security and information in a balanced manner. The glass walls at the elevator hall of the front entrance admit natural daylight, while the security entrance ensures safety of the tenants and keeps smooth flow of visitors. Electronic bulletin boards providing latest financial information are installed in the lobby and inside elevators. IFP has also installed state-of-the-art solar panel glass walls for the storage of sunlight, providing sufficient daylight to meet the daily requirements of offices. Furthermore, the water tank on the roof serves insulation purposes while facilitating energy conservation. New materials incorporating advanced technologies have been used to replace wood, bricks and other traditional materials so that novel, imaginative green ideas can be put into practice.

Green construction

The construction process requires the consumption of a large amount of construction materials, resources and energy. As a result, it also generates a large amount of construction debris and refuse, in addition to causing air, water and noise pollution. To minimize the environmental impact of construction works, the Group has adopted proactive measures, such as improved construction work processes, recycled use of construction debris and the sorting of construction refuse, in the construction process.

The Group has formulated stringent measures for the handling of construction refuse and general garbage generated in our construction work sites. Dedicated personnel are assigned to handle the disposal of refuse, which is placed at reasonably selected dumping grounds and sorted, collected, cleared and transported in accordance with relevant municipal or administrative regulations. Some construction refuse can be reused after mixing as fills for debris pile foundation or pedestal pile foundation.

Moreover, the Group has conducted a series of trial applications to reuse or recycle non-hazardous construction debris generated during the construction process, such as timber, bricks and asphalt.

 Type of construction debris	 Method of recycling or reuse
<ul style="list-style-type: none">• Timber and sawdust	<ul style="list-style-type: none">• For the production of clay-timber-cement composite materials which is a special heat insulation material
<ul style="list-style-type: none">• Bricks and tiles	<ul style="list-style-type: none">• Crushed after rough separation to be used as light-weight aggregate pieces;• Crushed clay brick particles are mixed with lime and used in roadbed works
<ul style="list-style-type: none">• Asphalt	<ul style="list-style-type: none">• Crushed and sieved asphalt debris is mixed with regeneration agents, new aggregates and new asphalt materials at appropriate proportions and used in laying road surfaces or underlying layers
<ul style="list-style-type: none">• Concrete	<ul style="list-style-type: none">• Crushed concrete is used in the production of regenerated concrete and regenerated cement;• Directly used as materials for roadbeds;• Mixed with crushed bricks and lime to be used in pedestal pile foundation

Green residential communities

The green residential community has become a creative force driving the transformation of the real estate industry. It is the choice for all property developers who share a strong commitment to social responsibility and exceptional insights about market developments. The Group is well aware that the times when properties are sold by solely relying on a nice surrounding environment will be past soon, and the future is about creating green residential communities highlighted by new lifestyles and personal care from the perspective of the community and daily life.

The green residential community is a combination of green buildings and green lifestyles. It promises maximum resource conservation, environmental protection and pollution reduction during the life cycle of the community, thereby providing its residents with a healthy, pragmatic and efficient space for living. The green residential community features the massive incorporation of social, cultural and environmental elements not found in the planning of existing residential communities. It emphasizes the effective utilization of resources and energy, innovative property service and management, enhanced efficiency in community transport, effective convergence with urban transport systems and the enhancement of humanist virtues in the community.

During the past year, the Group made tremendous efforts in the building of green residential communities. In particular, our ratio of energy and resource utilization has been significantly improved.



Conversion of water pumps for energy saving

Locations of properties involved:
Guangzhou, Chengdu

One-off investment of RMB740,000; total power output of water pump systems reduced by 357 kw from 483 kw to 126 kw after conversion, resulting in expected annual savings of RMB450,000 in electricity charges

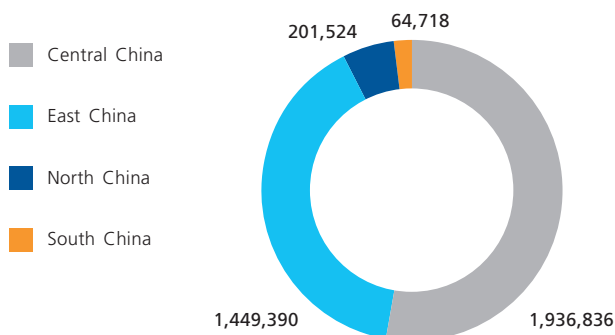


Conversion of lighting systems for energy saving

Locations of properties involved:
Chengdu, Shanghai, Suzhou, Beijing

One-off investment of RMB1,488,000; total power output of lighting systems reduced by 725 kw after conversion, resulting in expected annual savings of RMB1.67 million in electricity charges

Summary of KWG Property energy saving projects in 2016



In 2016, the Group invested close to RMB2.23 million in energy conservation projects for residential developments in Guangzhou, Shanghai, Chengdu, Suzhou and Beijing. As a result of these projects, annual savings of approximately RMB2.12 million in electricity charges and approximately 4 million kwh in electricity consumption, as well as annual reduction of approximately 3.65 million kg in carbon emission, are expected.

Moreover, the Group hopes to create green residential communities through the joint effort of property management companies and residents. Garbage sorting and recycling systems have been installed in all residential communities developed by the Group to encourage the sorting of garbage into recyclable items, food waste, hazardous waste and other refuse, by the residents, before such classified garbage is handled or disposed of by the property management office. For example, certain food waste will undergo composting, whereby the waste will be compressed and covered with soil to facilitate physical, chemical and biological change, decomposed and detoxified, and turned into coal materials. In addition, composting conducted by the property management department also helps to save space as the size of garbage will reduce by 30%–50% after the process.



Quality and safety of work environment

The primary objective of the Group is to ensure that employees in various regions, whether or not directly employed by the Group or its subsidiaries, will have a comfortable, safe and well-supported work environment that allows them to bring their abilities into full play. The Group at all levels and its subsidiaries are committed to optimizing their safety management regimes, with a special emphasis on safety at our properties and the safety of construction site workers.

Occupational safety and health

Staff health is an important concern for the Group, which arranges annual health check for all employees to ensure that staff can address professional and other commitments in the best health conditions. In addition, we have provided insurance for commercial accidents and material illness to all employees since January 2015.

Construction sites are more dangerous than the work environments of other business segments of the Group, as workers are frequently exposed to dust and emission gases. In view of this, we are especially concerned with safety and health in our property's construction. Relevant policies have been formulated with a special emphasis on the development of safety examination, training, incentive and accountability regimes to implement effective, systematic management.

The Group's operations management department has formulated the "Administrative Measures on Quality and Safety" and other rules and regulations to address the requirements for quality and safety management. Arrangements are made for quality and safety officers of regional subsidiaries to receive training in quality and safety on a regular basis to ensure safe implementation of project work across the country. The Group has also enhanced supervision and management of third-party contractors in safety matters. In selecting contractors, priority will be given to builders who have obtained quality and safety management system certification to ensure the health and safety of site workers.



Cases of work injury in 2016: **2**



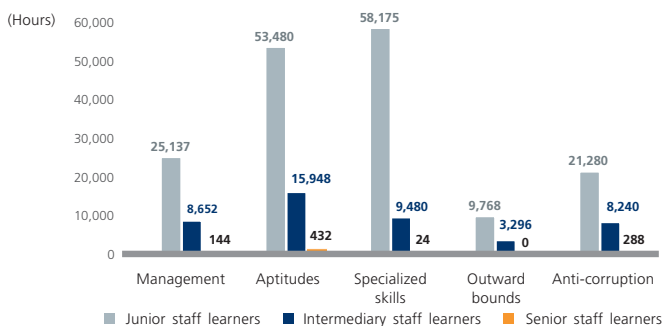
Fatal work casualty: **0** person



Working days lost as a result of work injury/management/construction teams: **126**

Training and development

Staff training activities types and hours



The Group believes that talents provides the core competitive strengths of a company and its driving force for sustainable development. The Group places a strong emphasis on the development and training of talents. While seeking the best people to join the Group, we are also committed to the training of local talents. In this connection, the Group has developed a range of staff learning and training programme, such as the senior management training programme, project elite training programme, management trainee programme and core talent training programme. Such programmes

are aimed at enhancing the professional skills of employees to facilitate their long-term career development. Moreover, in view of the vast number of projects and the dispersed allocation of employees, the Group is building a network that will facilitate online learning and mutual sharing for the Group’s employees across the country.

KWG Property staff training in 2016



“Management for Excellence and Co-development”
— our first senior management seminar



Training of elites for long-term development
— “Future Stars” training camp



Enhancing team dynamics
— Development training for all employees of Hangzhou Co.



Breaking communication barriers
— English corner at Chengdu Co.

Anti-corruption

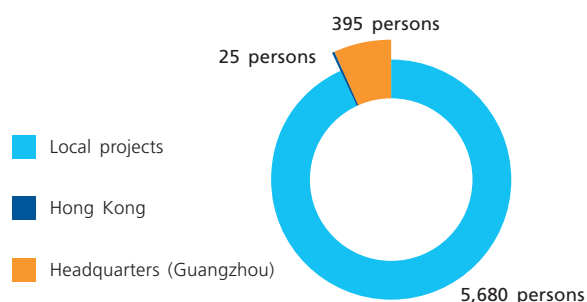
The Group practices zero tolerance for corruption and fraud and strictly prohibits any form of bribery or corruption. The Group has formed a risk control department to handle complaints and reporting of non-compliant behaviors of staff. The Group has also set up a number of public channels for corruption reporting. Employees, customers and up/downstream associates are welcome to report corruptive practices of the staff of the Group (including all business segments).

Labour standards

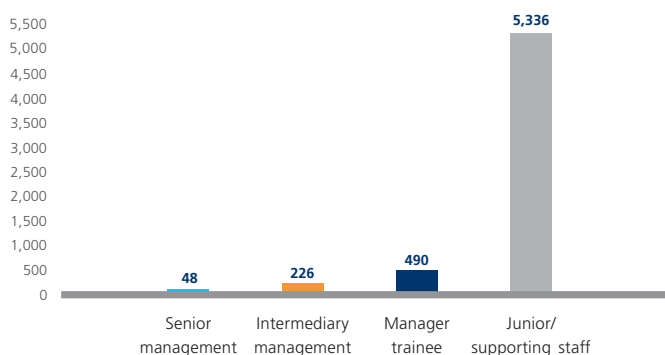
The Group has formulated comprehensive non-discrimination measures to maintain a fair and just staff selection and appointment process. Employees are treated equally regardless of nationality, race, age, gender, marital status and religion. To prevent child labour and forced labour in accordance with the Labour Law, the Group has set out stringent instructions on qualifications for employment and adopted measures to verify the personal information of all new employees. The management arranges appropriate work load for each employee according to his or her ability. A trade union has been established to represent the interests of employees and workers at the work premises.

The headcount by region, gender and job is set as follows:

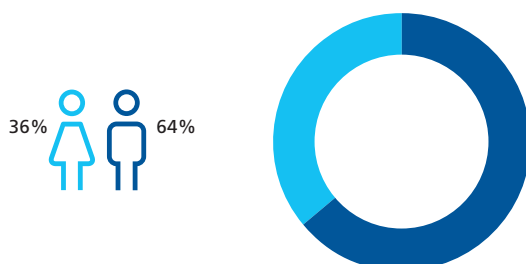
Number of employees by region



Number of employees by job type



Number of employees by gender



Staff care and interaction

As much as it is concerned with the career development of its staff, the Group also cares about their physical health and whether they can lead a balanced life. In this connection, the Group has organized off-hour recreational activities tailored to employees' interests, in order to provide employees with refreshing pastimes as well as opportunities to mingle with colleagues from other departments. During the past year, the Group organized various types of staff activities.



Recapping good old childhood days at the June 1st garden fair.



Delivering cooling fruits during high temperature days in the summer.



The 3rd "KWG Cup" Zhongnan District Sports Gala



Staff Health Activities Day for the promotion of the sporting spirit

Charity and community participation

KWG Property has always regarded the charity cause as a matter of undisputable responsibility. From disaster relief and education support to scientific research, from Hope School to the Foundation for Heroic Acts, from poverty aid to care for the orphans and aged, KWG Property has made persistent efforts to contribute the society with practical actions, notably its generous donations to disaster relief initiatives in the wake of the Wenchuan earthquake and the Ya'an earthquake, the construction of local infrastructure facilities in "Matched Aid to the Northern Mountain Areas", educational donations to support school recruitment of teachers, the building of more than 10 Art Labs in mountain areas. The total amount of donations made is close to RMB200 million.



A ray of hope shining through the KWG Art Lab

Through the KWG Art Lab Project commenced in 2013, KWG Property has extended the reach of its charity efforts to Guangdong, Sichuan, Jiangsu, Beijing and Hainan over the past 3 years, facilitating the building of more than 10 KWG Art Labs and the acquisition of a massive volume of books with its donations. These libraries have provided a better place for reading and have effectively given hope of a new life to children from impoverished villages.

In July 2016, KWG Art Lab greeted the beautiful Xingyi in Guizhou and donated more than one thousand sets of books and stationery to 2 primary schools in the remote mountain areas in the southwestern regions of Guizhou: Laowangpo Teaching Station in Canggeng Town and Jianshan Yecao Hope School in Yilong Experimental Zone. These are the 17th and 18th village schools for which libraries have been built under the KWG Art Lab Project since 2013. Most students of these 2 schools located in impoverished villages in Guizhou are left behind children. Their greatest wish is to grow up to work and earn a living as early as they can, and many have left school prematurely to find jobs. The inherent beliefs of their families of origin have compelled them to pursue financial well-being at the expense of childhood dreams and other alternatives, at an age when they are supposed to be nurtured in the world of knowledge. In view of this, the KWG Art Lab Project offers village children nutrients, sunshine and the possibility to dream. In our corporate capacity, we have called upon all to share what they have with compassion and build a path of charity through initiatives such as book donation and library construction. KWG Property will remain committed to the cause of charity going forward, as it continues to seek modest contributions to social development by bringing hope to all through the establishment of KWG Art Labs throughout the country.



KWG Art and animal protection

Since its incorporation in 1995, KWG Property has been focusing on blending artistic elements in its product innovation. We commenced the “KWG Art Individual” brand initiative in 2010, and the year under review featured the 7th version of the campaign. Over the years, we have organized painting contests, design contests and other activities to provide a stage for visual art lovers to showcase their talents.

The theme of “KWG Art Individual 2016” was photography, as we believed that images are a powerful tool for the promotion of environmental

protection, and we hoped to raise public awareness for animal protection and conservation through this contest, especially the conservation of endangered species. According to the statistics of the International Union for Conservation of Nature, approximately 900 plant/animal species have disappeared from Earth in the past 500 years and there are currently more than 10,000 endangered species. The urgency of animal protection cannot be over-emphasized. KWG Property hopes to inspire further reflections on animal protection and the connection between humanity and the environment in general through the KWG Art Animal Protection Photography Contest, for life and commitment to animal protection through individual actions.

KWG Magazine: an interpretation of Man and Nature

KWG Property has reported stable development since its listing in 2007. In addition to the pursuit of high quality products, we are equally concerned with the fostering and propagation of our corporate culture. By bringing our corporate culture into play in the process of project development, we hope to impart the beauty of life in our architectures.

In 2012, the Group started the publication of KWG Magazine, a community welfare journal designed for supporters of environmental protection. This semi-annual publication is available for free to the public and 10 issues have been published so far. It is our hope that, through KWG Magazine, the environmental elements of KWG developments will be showcased to the public, so they will appreciate environmental protection and wild life conservation as some of the core values of the KWG culture. The magazine will also help to enhance public awareness for the protection of nature.



Report of the Directors

The directors are pleased to present their report and the audited financial statements for the year ended 31 December 2016.

Principal Activities and Business Review

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on page 12 to 24 of the annual report. This discussion forms part of this "Report of the Directors".

Results and Dividends

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 63 to 146.

The Board of the Company has proposed the payment of a final dividend of RMB 40 cents per ordinary share with scrip option for the year ended 31 December 2016. To appreciate the long-term support of the shareholders, the board has also proposed the declaration and payment of a special dividend of RMB 11 cents per ordinary share with scrip option.

The proposed final dividend and special dividend shall be declared in RMB and payable in cash in Hong Kong dollars, if approved by the shareholders at the forthcoming annual meeting, expected to be paid on or before 26 July 2017 to the shareholders on the Register of Member on 14 June 2017.

The eligible shareholders will have the right to elect to receive the final dividend and the special dividend wholly or partly in the form of new fully paid shares instead of cash ("Scrip Dividend Scheme").

A circular containing details of the Scrip Dividend Scheme, where available, and an election form (where applicable) are expected to be despatched to the shareholders on or about 27 June 2017. The Scrip Dividend Scheme is also conditional upon the Securities and Future Commission's granting the listing of, and permission to deal in, new shares to be issued pursuant thereto.

Summary Financial Information

A financial summary of the Group is set out on page 148. This summary does not form part of the audited financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 147.

Properties under Development

Details of the properties under development of the Group during the year are set out in note 17 to the financial statements. Further details of the Group's major properties under development are set out on page 147.

Completed Properties Held for Sale

Details of the completed properties held for sale of the Group during the year are set out in note 18 to the financial statements. Further details of the Group's major completed properties held for sale are set out on page 147.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 28 and 29 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

During the year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 44 and note 30 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

At 31 December 2016, the Company's reserves available for distribution, calculated in accordance with Articles 146 of the Articles of Association of the Company, amounted to approximately RMB5,673,461,000, of which approximately RMB1,557,439,000 has been proposed as a final dividend for the year.

Charitable Donations

The charitable donations made by the Group during the year amounted to approximately RMB1,475,000.

Major Customers and Suppliers

For the year ended 31 December 2016, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue in the year.

In the year under review, payments attributable to the Group's largest contractor and five largest contractors amounted to approximately 10.5% and 32.8% respectively, of the total payments under construction contracts for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 7.7% and 21.5% respectively, of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest contractors and suppliers.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Kong Jian Min (*Chairman*)
Mr. Kong Jian Tao (*Chief Executive Officer*)
Mr. Kong Jian Nan
Mr. Li Jian Ming
Mr. Tsui Kam Tim
Mr. He Wei Zhi (*resigned on 2 December 2016*)

Independent Non-executive Directors:

Mr. Lee Ka Sze, Carmelo, JP
Mr. Tam Chun Fai
Mr. Li Bin Hai

In accordance with Articles 86(3), 87(1) and 87(2) of the Company's articles of association, Messrs. Kong Jian Tao, Li Jian Ming and Tsui Kam Tim will retire from office as executive director(s) or independent non-executive director of the Company by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The independent non-executive directors are appointed for a period of one year.

The Company has received annual confirmations of independence from Messrs. Lee Ka Sze, Carmelo, JP, Tam Chun Fai and Li Bin Hai, and as at the date of this report still considers them to be independent.

Directors' and Senior Management's Biographical Details

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 26 to 28 of the annual report.

Changes in Information of Directors

None of the Directors had a change in any of the information required to be disclosed pursuant to the paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Directors' Service Contracts

Each of Messrs. Kong Jian Min, Kong Jian Tao, Kong Jian Nan, Li Jian Ming and Tsui Kam Tim has a service contract with the Company for a term of three years and each of these service contracts is subject to termination by either party giving not less than three months' written notice.

Each of the independent non-executive director has entered into a letter of appointment with the Company for a term of one year and is subject to termination by either party giving not less than three months' written notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The directors' emoluments are subject to the recommendations of the remuneration committee and the Board's approval. The emoluments are determined by the Board with reference to directors' duties, responsibilities and performances and the results of the Group.

Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares

As at 31 December 2016, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register 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, were as follows or as disclosed under the section headed "Share Option Scheme" on page 54:

Long positions in ordinary shares of the Company:

Name of Director	Long position/ Short position	Nature of interests	Number of shares held (Note 1)	Approximate percentage of the issued share capital (Note 9)
Kong Jian Min (Notes 2, 3 and 4)	Long position	Interest of controlled corporations	1,867,364,418	61.15%
Kong Jian Tao (Notes 2, 3 and 5)	Long position	Interest of controlled corporations	1,798,370,918	58.89%
Kong Jian Nan (Notes 2 and 3)	Long position	Interest of controlled corporations	1,797,370,918	58.86%
He Wei Zhi (Note 6)	Long position	Interest of spouse	10,000	0.00033%
Tam Chun Fai (Note 7)	Long position	Beneficial owner	80,000	0.0026%
Lee Ka Sze, Carmelo (Note 8)	Long position	Beneficial owner	30,000	0.001%

Notes:

- Share(s) of HK\$0.10 each in the capital of the Company.
- Plus Earn Consultants Limited ("**Plus Earn**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 1,722,370,918 shares through their interests in Plus Earn. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Plus Earn.
- Right Rich Consultants Limited ("**Right Rich**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 75,000,000 shares through their interests in Right Rich. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Right Rich.
- Hero Fine Group Limited ("**Hero Fine**") is legally and beneficially owned as to 100% by Kong Jian Min and Kong Jian Min is therefore deemed to be interested in 69,993,500 shares through his interest in Hero Fine. Kong Jian Min is the sole director of Hero Fine.
- Excel Wave Investments Limited ("**Excel Wave**") is legally and beneficially owned as to 100% by Kong Jian Tao and Kong Jian Tao is therefore deemed to be interested in 1,000,000 shares through his interest in Excel Wave. Kong Jian Tao is the sole director of Excel Wave.
- These shares are held and beneficially owned by Huang Yanlei, the spouse of He Wei Zhi.
- These shares are held and beneficially owned by Tam Chun Fai.
- These Shares are held and beneficially owned by Lee Ka Sze, Carmelo immediately after the share options were exercised on 14 July 2016.
- As at 31 December 2016, the number of shares in issue was 3,053,801,748 shares.

Long positions in shares and underlying shares of associated corporations:

Name of Director	Associated Corporations	Number of shares held in associated corporations	Percentage of shareholding in the associated corporations
Kong Jian Min	Plus Earn	765	76.50%
	Right Rich	765	76.50%
Kong Jian Tao	Plus Earn	150	15.00%
	Right Rich	150	15.00%
Kong Jian Nan	Plus Earn	85	8.50%
	Right Rich	85	8.50%

Save as disclosed above or under the section headed "Share Option Scheme" on page 54, as at 31 December 2016, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Shareholders Disclosable under the SFO

So far as is known to any directors or chief executive of the Company, as at 31 December 2016, other than the interests and short positions of the directors or the chief executive of the Company as disclosed in the section "Interests and Short Positions of the Directors and the Chief Executive in Shares and Underlying Shares" above and the section "Share Option Scheme" below, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

(I) Interests and Short Positions of Substantial Shareholder(s) in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company:

Name	Capacity	Number of shares held (Note 1)	Approximate percentage of the issued share capital (Note 3)
Plus Earn (Note 2)	Beneficial owner	1,722,370,918	56.40%

Notes:

1. Share(s) of HK\$0.10 each in the capital of the Company.
2. Plus Earn is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan.
3. As at 31 December 2016, the number of shares in issue was 3,053,801,748 shares.

(II) Interests and Short Positions of Other Persons in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company:

During the year ended 31 December 2016, there was no other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2007. Details of the Scheme are set out in note 29 to the financial statements.

As at 14 July 2016, total of 30,000 share options were exercised and as at 25 August 2016, a balance of 4,585,250 share options were lapsed.

Details of the share options movement pursuant to the Scheme were as follows:

Name of grantee	Number of share options granted as at 1 January 2016	Number of share options (exercised) before 25 August 2016 (Note 1)	Number of share options (lapsed) as at 25 August 2016	Number of share options outstanding as at 31 December 2016	Date of grant (Note 3)	Period during which share options are exercisable (Note 2)	Exercise price per share (HK\$)
Li Jian Ming	619,000	–	(619,000)	–	26 August 2011	26 August 2012–25 August 2016	4.49
He Wei Zhi	619,000	–	(619,000)	–	26 August 2011	26 August 2012–25 August 2016	4.49
Tsui Kam Tim	738,000	–	(738,000)	–	26 August 2011	26 August 2012–25 August 2016	4.49
Tam Chun Fai	–	–	–	–	26 August 2011	26 August 2011–25 August 2016	4.49
Lee Ka Sze, Carmelo	30,000	(30,000)	–	–	26 August 2011	26 August 2011–25 August 2016	4.49
Other employees of the Group	2,609,250	–	(2,609,250)	–	26 August 2011	26 August 2012–25 August 2016	4.49
Total	4,615,250	(30,000)	(4,585,250)	–			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise periods.
2. Details of the exercise period of the share options are set out in note 29 to the financial statements.
3. The closing price of the Company's shares immediately before the date on which options granted on 26 August 2011 was HK\$4.32.

Valuation of Share Options

The Company has been using the Black-Scholes model and binomial model (the “Models”) to value the share options granted. Details of the key parameters used in the Models and the corresponding fair values of the options granted under the Scheme are set out in note 29 to the financial statements.

Contract of Significance

No contracts of significance in relation to the Company’s business to which the Company, or its subsidiaries was a party and in which a director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Board confirms that the Company has maintained a sufficient public float as required by the Listing Rules during the year under review.

Directors’ Interests in a Competing Business

During the year and up to the date of this report, none of the directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Auditor

Ernst & Young retire and a resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

On 18 November 2014, the Company entered into a facility agreement in respect of a transferrable term loan facility in the amount of HK\$2,003,750,000 with a greenshoe option of HK\$1,000,000,000 (the “Facility Agreement V”). The Facility Agreement V includes conditions imposing specific performance obligations on Mr. Kong. The Company has undertaken to procure that Mr. Kong will, at all times during the term of the facility, (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute as an Event of Default (as defined in the Facility Agreement V) under the Facility Agreement V. Further details of the transaction are disclosed in the announcement of the Company dated 18 November 2014.

ON BEHALF OF THE BOARD

Kong Jian Min
Chairman

Hong Kong
21 March 2017



To the shareholders of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of KWG Property Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 146, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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



To the shareholders of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><i>Revaluation of investment properties</i></p> <p>Investment properties of the Group comprise completed investment properties and investment properties under construction and are stated at fair value at the end of each reporting period. Changes in fair values of investment properties are recorded in profit or loss in the year in which they arise.</p> <p>The Group's investment properties are revalued individually at the end of each reporting period by independent professional valuer which involves significant estimations and assumptions, including market rent and capitalisation rates, and the fair values of the investment properties are sensitive to these management's estimates and assumptions.</p> <p>Relevant disclosures are included in notes 2.4, 3 and 14 to the consolidated financial statements.</p>	<p>The audit procedures we performed on the revaluation of investment properties, among others, included:</p> <ul style="list-style-type: none">• we obtained an understanding of the work of independent professional valuer engaged by the Company, considered the objectivity, independence and expertise of the valuer;• we involved our valuation specialists to evaluate the valuation techniques used and tested the underlying key estimations and assumptions for selected samples through enquiry with management and by reference to the historical information and open market information; and• we assessed the adequacy of disclosures in relation to the revaluation of investment properties, including fair value hierarchy and the valuation techniques used and the key inputs to the valuation of investment properties.



To the shareholders of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Estimation of net realisable value of properties under development and completed properties held for sale</i></p> <p>The properties under development and the completed properties held for sale of the Group are stated at the lower of cost and net realisable value.</p> <p>The determination of net realisable value of the properties of the Group is highly dependent on management's judgements and estimates, such as assumptions of the expected sales price and costs to be incurred until completion and sale. The assumptions adopted in the assessment are affected by expectations of future market or economic conditions.</p> <p>Relevant disclosures are included in notes 2.4, 3, 17 and 18 to the consolidated financial statements.</p>	<p>The audit procedures we performed on the impairment assessment of properties under development and completed properties held for sale, among others, included:</p> <ul style="list-style-type: none">• we reviewed management's assessment of the indicators of impairment and tested the significant assumptions used by management; and• where significant indicators of impairment were identified, we checked on a sample basis, the unsold property area, estimated selling prices, construction costs to be incurred and selling expenses by reference to the historical information and open market information.



To the shareholders of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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



To the shareholders of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



To the shareholders of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

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

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



To the shareholders of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Kwok Yin.

Ernst & Young

Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

21 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	8,865,329	8,339,756
Cost of sales		(5,794,980)	(5,330,338)
Gross profit		3,070,349	3,009,418
Other income and gains, net	5	731,732	103,080
Selling and marketing expenses		(322,768)	(276,532)
Administrative expenses		(969,196)	(774,677)
Other operating expenses, net		(118,183)	(30,740)
Fair value gains on investment properties, net	14	165,900	709,671
Finance costs	7	(159,875)	(10,451)
Share of profits and losses of:			
Associates		–	(2,661)
Joint ventures		2,129,540	1,935,245
PROFIT BEFORE TAX	6	4,527,499	4,662,353
Income tax expenses	10	(1,065,893)	(1,249,168)
PROFIT FOR THE YEAR		3,461,606	3,413,185
Attributable to:			
Owners of the Company		3,464,714	3,416,248
Non-controlling interests		(3,108)	(3,063)
		3,461,606	3,413,185
Earnings per share attributable to owners of the Company – Basic and diluted	12	RMB115 cents	RMB115 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
PROFIT FOR THE YEAR	3,461,606	3,413,185
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	(963,216)	(572,650)
Share of exchange differences on translation of joint ventures	(238,896)	(197,454)
NET OTHER COMPREHENSIVE LOSS MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(1,202,112)	(770,104)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,259,494	2,643,081
Attributable to:		
Owners of the Company	2,262,602	2,646,144
Non-controlling interests	(3,108)	(3,063)
	2,259,494	2,643,081

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	3,890,621	3,693,827
Investment properties	14	10,533,100	9,549,593
Land use rights	15	1,040,728	919,140
Interests in joint ventures	16	18,998,141	21,829,575
Deferred tax assets	26	1,332,532	1,197,373
Total non-current assets		35,795,122	37,189,508
CURRENT ASSETS			
Properties under development	17	38,503,341	20,895,264
Completed properties held for sale	18	6,866,193	6,533,673
Trade receivables	19	156,775	274,461
Prepayments, deposits and other receivables	20	2,200,705	1,990,457
Due from a joint venture	16	30,059	29,406
Tax recoverables	21(a)	288,043	202,571
Restricted cash	22	1,130,660	1,619,607
Cash and cash equivalents	22	25,770,912	10,946,470
Total current assets		74,946,688	42,491,909
CURRENT LIABILITIES			
Trade and bills payables	23	5,753,979	2,391,399
Other payables and accruals	24	9,838,964	7,170,761
Due to joint ventures	16	21,530,757	13,925,825
Interest-bearing bank and other borrowings	25	4,753,515	3,982,628
Tax payables	21(b)	5,431,370	4,719,093
Total current liabilities		47,308,585	32,189,706
NET CURRENT ASSETS		27,638,103	10,302,203
TOTAL ASSETS LESS CURRENT LIABILITIES		63,433,225	47,491,711
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	38,196,455	24,015,000
Deferred tax liabilities	26	1,225,816	1,115,753
Deferred revenue	27	2,042	2,042
Total non-current liabilities		39,424,313	25,132,795
NET ASSETS		24,008,912	22,358,916

Consolidated Statement of Financial Position

31 December 2016

	Note	2016 RMB'000	2015 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	293,590	288,663
Reserves		23,656,855	22,052,746
		23,950,445	22,341,409
Non-controlling interests		58,467	17,507
TOTAL EQUITY		24,008,912	22,358,916

Kong Jian Min
Director

Kong Jian Tao
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Notes	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
		Issued capital	Share premium account	Reserve funds	Exchange fluctuation reserve	Equity-settled share option reserve	Capital reserve	Retained profits			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015		284,706	6,806,653	897,134	294,564	5,812	(57,546)	12,184,523	20,415,846	20,570	20,436,416
Profit for the year		-	-	-	-	-	-	3,416,248	3,416,248	(3,063)	3,413,185
Other comprehensive loss for the year:											
Exchange differences on translation into presentation currency		-	-	-	(572,650)	-	-	-	(572,650)	-	(572,650)
Share of exchange differences on translation of joint ventures		-	-	-	(197,454)	-	-	-	(197,454)	-	(197,454)
Total comprehensive income for the year		-	-	-	(770,104)	-	-	3,416,248	2,646,144	(3,063)	2,643,081
Share options exercised	28, 29	100	5,492	-	-	(1,103)	-	-	4,489	-	4,489
Share option expense	29	-	-	-	-	127	-	-	127	-	127
Final 2014 dividend declared		-	-	-	-	-	-	(972,258)	(972,258)	-	(972,258)
Shares issued as scrip dividend during the year	28	3,857	243,204	-	-	-	-	-	247,061	-	247,061
Transfer to reserves	30	-	-	110,402	-	-	-	(110,402)	-	-	-
At 31 December 2015		288,663	7,055,349	1,007,536	(475,540)	4,836	(57,546)	14,518,111	22,341,409	17,507	22,358,916

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Notes	Attributable to owners of the Company								Non-controlling interests	Total equity
		Issued capital	Share premium account	Reserve funds	Exchange fluctuation reserve	Equity-settled share option reserve	Capital reserve	Retained profits	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2016		288,663	7,055,349	1,007,536	(475,540)	4,836	(57,546)	14,518,111	22,341,409	17,507	22,358,916
Profit for the year		-	-	-	-	-	-	3,464,714	3,464,714	(3,108)	3,461,606
Other comprehensive loss for the year:											
Exchange differences on translation into presentation currency		-	-	-	(963,216)	-	-	-	(963,216)	-	(963,216)
Share of exchange differences on translation of joint ventures		-	-	-	(238,896)	-	-	-	(238,896)	-	(238,896)
Total comprehensive income for the year		-	-	-	(1,202,112)	-	-	3,464,714	2,262,602	(3,108)	2,259,494
Share options exercised	28, 29	3	143	-	-	(29)	-	-	117	-	117
Transfer of equity-settled share option reserve upon the forfeiture or expiry of share options		-	-	-	-	(4,807)	-	4,807	-	-	-
Acquisition of subsidiaries	32	-	-	-	-	-	-	-	-	46,270	46,270
Capital contribution from a non-controlling shareholder of a subsidiary		-	-	-	-	-	-	-	-	17,800	17,800
Derecognition of a subsidiary	34	-	-	-	-	-	-	-	-	(20,002)	(20,002)
Final 2015 dividend declared	28	-	(868,980)	-	-	-	-	-	(868,980)	-	(868,980)
Shares issued as scrip dividend during the year	28	4,924	210,373	-	-	-	-	-	215,297	-	215,297
Transfer to reserves	30	-	-	163,458	-	-	-	(163,458)	-	-	-
At 31 December 2016		293,590	6,396,885*	1,170,994*	(1,677,652)*	-*	(57,546)*	17,824,174*	23,950,445	58,467	24,008,912

* These reserve accounts comprise the consolidated reserves of approximately RMB23,656,855,000 (2015: approximately RMB22,052,746,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,527,499	4,662,353
Adjustments for:			
Finance costs	7	159,875	10,451
Share of profits and losses of associates		–	2,661
Share of profits and losses of joint ventures		(2,129,540)	(1,935,245)
Interest income	5	(169,677)	(40,937)
(Gain)/loss on disposal of investment properties, net	6	(5)	122
Loss on disposal of items of property, plant and equipment	6	19	233
Gain on disposal of a subsidiary	5, 33	(44,708)	–
Gain on acquisition of a subsidiary	5, 32	(57,198)	–
Depreciation	6	144,414	154,088
Amortisation of land use rights	6	5,478	5,035
Fair value gains on investment properties, net	14	(165,900)	(709,671)
Equity-settled share option expense	29	–	127
		2,270,257	2,149,217
(Increase)/decrease in properties under development		(18,214,400)	1,490,768
Decrease/(increase) in completed properties held for sale		139,938	(1,046,554)
Decrease/(increase) in trade receivables		117,710	(57,144)
Decrease/(increase) in prepayments, deposits and other receivables		1,213,155	(62,779)
Increase in an amount due from a joint venture		(653)	(29,352)
Decrease/(increase) in restricted cash		488,947	(842,710)
Increase/(decrease) in trade and bills payables		4,940,021	(302,212)
Increase/(decrease) in other payables and accruals		1,163,823	(610,367)
Increase in amounts due to joint ventures		8,404,932	2,425,040
Cash generated from operations		523,730	3,113,907
Interest received		169,677	40,937
Interest paid		(2,230,970)	(2,336,784)
Corporate income tax paid		(324,073)	(232,179)
Land appreciation tax paid		(228,917)	(285,109)
Net cash flows (used in)/from operating activities		(2,090,553)	300,772

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Net cash flows (used in)/from operating activities		(2,090,553)	300,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(321,300)	(244,664)
Acquisition of subsidiaries	32	19,587	–
Disposal of a subsidiary	33	43,428	–
Derecognition of a subsidiary	34	(1,101,135)	–
Proceeds from disposal of investment properties		687	3,432
Proceeds from disposal of items of property, plant and equipment		971	2,064
Investments in joint ventures		(66,500)	(1,354,200)
Repayment from joint ventures		4,741,923	222,942
Net cash flows from/(used in) investing activities		3,317,661	(1,370,426)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares	28	117	4,489
Proceeds from issue of domestic corporate bonds		19,929,082	3,267,000
Early redemption of senior notes		(2,832,224)	–
New bank loans		9,067,616	4,698,566
Repayment of bank loans		(11,148,492)	(5,155,272)
Decrease in an amount due to a joint venture		(800,000)	(200,000)
Contribution from the non-controlling shareholder of a subsidiary		17,800	–
Dividend paid		(653,683)	(725,197)
Net cash flows from financing activities		13,580,216	1,889,586
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		10,946,470	10,094,238
Effect of foreign exchange rate changes, net		17,118	32,300
CASH AND CASH EQUIVALENTS AT END OF YEAR		25,770,912	10,946,470
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		16,266,212	4,726,282
Non-pledged time deposits with original maturity of less than three months when acquired	22	9,504,700	6,220,188
Cash and cash equivalents	22	25,770,912	10,946,470

1. Corporate and Group Information

KWG Property Holding Limited (“KWG Property” or the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) was involved in the following principal activities in Mainland China:

- Property development
- Property investment
- Hotel operation
- Property management

In the opinion of the directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Happy Clear Consultants Limited	British Virgin Islands/ Hong Kong	US\$1,000	100	–	Investment holding
Reach Luck Consultants Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Boom Faith International Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Rising Wave Enterprises Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Good Excel Enterprises Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Prime Way Enterprises Limited	British Virgin Islands/ Hong Kong	US\$1	100	–	Investment holding
Hugeluck Investments Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding

1. Corporate and Group Information *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Hejing Real Estate Development Limited ("Guangzhou Hejing")*#	PRC	US\$99,000,000	–	100	Property development
Guangzhou Hejing Meifu Real Estate Development Limited#	PRC	US\$12,930,000	–	100	Property development
Guangzhou Hejing Yingfu Real Estate Development Limited#	PRC	RMB35,000,000	–	100	Property development
Guangzhou Xinhengchang Enterprise Development Limited*#	PRC	RMB792,000,000	–	100	Property development
Guangzhou Zhongtianying Real Estate Development Limited*#	PRC	US\$198,000,000	–	100	Property development
Guangzhou Tianjian Real Estate Development Limited ("Guangzhou Tianjian")*#	PRC	RMB1,617,000,000	–	100	Property development
Guangzhou Fuxin Property Management Limited*#	PRC	RMB7,000,000	–	100	Property management
Guangzhou Ningjun Property Management Limited*#	PRC	RMB7,000,000	–	100	Property management
Guangzhou Junzhao Property Operation Limited*#	PRC	RMB7,000,000	–	100	Property management
Chengdu Zhongtianying Real Estate Development Limited#	PRC	RMB550,000,000	–	100	Property development
Guangzhou Liangyu Investment Limited#	PRC	RMB30,000,000	–	100	Property development
Hainan New World Real Estate Property (HK) Limited*#	PRC	HK\$772,000,000	–	100	Property development
Suzhou Hejing Real Estate Development Limited#	PRC	RMB1,290,000,000	–	100	Property development
Guangzhou Conghua Hejing Real Estate Development Limited*#	PRC	US\$99,000,000	–	100	Property development
Beijing Hejing Real Estate Development Limited#	PRC	RMB70,000,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chengdu Zhaojing Real Estate Development Limited*#	PRC	HK\$767,000,000	–	100	Property development
Kunshan Baicheng Real Estate Development Limited*#	PRC	US\$29,900,000	–	100	Property development
Guangzhou Hejing Chuangzhan Hotel Limited#	PRC	RMB30,000,000	–	100	Hotel operation
Guangzhou Wanhui Real Estate Development Limited#	PRC	RMB330,000,000	–	100	Property development
Guangzhou Lihe Property Development Limited#	PRC	RMB640,000,000	–	100	Property development
Chengdu Kaiyu Real Estate Development Limited#	PRC	RMB100,000,000	–	100	Property development
Hainan Hejing Real Estate Development Limited#	PRC	RMB70,000,000	–	100	Property development
Shanghai Hejing Real Estate Development Limited#	PRC	RMB100,000,000	–	100	Property development
Shanghai Deyu Real Estate Development Limited (“Shanghai Deyu”)#	PRC	RMB100,000,000	–	100	Property development
Shanghai Jinyi Property Limited#	PRC	RMB30,000,000	–	100	Property development
Shanghai Hongyu Real Estate Development Limited#	PRC	RMB100,000,000	–	100	Property development
Beijing Hong'en Real Estate Development Limited Liability Company#	PRC	RMB100,000,000	–	100	Property development
Shanghai Zhaojing Real Estate Development Limited#	PRC	RMB100,000,000	–	100	Property development
Guangzhou Huijing Real Estate Development Limited*#	PRC	US\$58,500,000	–	100	Property development
Guangzhou Chuangjing Real Estate Development Limited*#	PRC	US\$15,120,000	–	100	Property development
Suzhou Junjing Real Estate Development Limited#	PRC	RMB85,000,000	–	100	Property development
Shanghai Langhe Real Estate Development Limited#	PRC	RMB887,000,000	–	100	Property development
Shanghai Jingdong Real Estate Development Limited#	PRC	RMB1,350,000,000	–	100	Property development
Guangzhou Hejing Fengjingyuan Hotel Limited#	PRC	RMB30,000,000	–	100	Hotel operation
Guangzhou Hejing Lingfengyuan Hotel Management Limited#	PRC	RMB30,000,000	–	100	Hotel operation

1. Corporate and Group Information *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Suzhou Shengjing Real Estate Development Limited#	PRC	RMB120,000,000	–	80	Property development
Suzhou Kaiwei Real Estate Development Limited#	PRC	RMB50,000,000	–	100	Property development
Guangzhou Weiyu Real Estate Development Limited#	PRC	RMB60,000,000	–	100	Property development
Suzhou Kaifu Real Estate Development Limited#	PRC	RMB170,000,000	–	100	Property development
Guangzhou Hongda Property Limited#	PRC	RMB1,300,000,000	–	100	Property development
Beijing Fuyu Real Estate Development Limited#	PRC	RMB20,000,000	–	100	Property development
Hangzhou Zhaojing Real Estate Development Limited#	PRC	RMB120,000,000	–	100	Property development
Beijing Hongtai Real Estate Development Limited#	PRC	RMB100,000,000	–	100	Property development
Beijing Hengcheng Real Estate Development Limited#	PRC	RMB100,000,000	–	100	Property development
Hangzhou Hejing Real Estate Development Limited#	PRC	RMB120,000,000	–	100	Property development
Hangzhou Hongjun Real Estate Development Limited#	PRC	RMB120,000,000	–	100	Property development
Sichuan Longyuan Real Estate Limited#	PRC	RMB325,016,300	–	55	Property development
Shanghai Hongjing Real Estate Development Limited#	PRC	RMB50,000,000	–	100	Property development
Hangzhou Tianjing Real Estate Development Limited#	PRC	RMB50,000,000	–	100	Property development
Foshan Hongsheng Real Estate Development Limited#	PRC	RMB100,000,000	–	100	Property development
Tianjin Hongsheng Property Development Limited#	PRC	RMB30,000,000	–	100	Property development
Suzhou Yujing Real Estate Development Limited ("Suzhou Yujing")#	PRC	RMB100,000,000	–	100	Property development

* These entities are registered as wholly-foreign-owned enterprises under PRC law.

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

The statutory financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the dates that such control ceases.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)

Amendments to HKFRS 11
HKFRS 14

Amendments to HKAS 1

Amendments to HKAS 16 and HKAS 38

Amendments to HKAS 16 and HKAS 41

Amendments to HKAS 27 (2011)

Annual Improvements 2012–2014 Cycle

HKFRS 9

Investment Entities: Applying the Consolidation Exception

Accounting for Acquisitions of Interests in Joint Operations
Regulatory Deferral Accounts

Disclosure Initiative

Clarification of Acceptable Methods of Depreciation and Amortisation

Agriculture: Bearer Plants

Equity Method in Separate Financial Statements

Amendments to a number of HKFRSs

Financial Instruments (early adopted)

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new HKFRSs and the amendments are described below:

- (a) Amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are applied prospectively. The amendments have had no impact on the Group as there has been no interest acquired in a joint operation during the year.
- (b) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
 - (i) the materiality requirements in HKAS 1;
 - (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
 - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
 - (iv) that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

2.2 Changes in Accounting Policies and Disclosures *(continued)*

(b) *(continued)*

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

- (c) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.
- (d) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting, and will be effective for annual periods beginning on or after 1 January 2018. The Group has elected to early adopt HKFRS 9 since 1 January 2016. The impacts arising from the early adoption of HKFRS 9 are summarised as follows:

(i) Classification and measurement

Financial assets are required to be classified into one of the following measurement categories: (1) measured subsequently at amortised cost, (2) measured subsequently at fair value through OCI (all fair value changes other than interest accrual, amortisation and impairment will be recognised in OCI) or (3) measured subsequently at fair value through profit or loss. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. The Group measures its derivative financial assets at fair value through profit or loss. Other financial assets of the Group continue to be measured at amortised cost. The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

(ii) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through OCI, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group performed a detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

2.2 Changes in Accounting Policies and Disclosures *(continued)*

(d) *(continued)*

(iii) Hedge accounting

The requirements related to hedge accounting would better align the accounting treatments with risk management activities and enable entities to better reflect these activities in their financial statements. It relaxes the requirements for assessing hedge effectiveness which more risk management strategies may be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the financial statements will be provided with more relevant information about risk management and the effect of hedge accounting on the financial statements. The Group had entered into foreign currency forward contract in current year to hedge the foreign exchange exposure between Hong Kong dollar and RMB arising from the Group's net investment in their subsidiaries established in the People's Republic of China (the "PRC"). Gains or losses on the hedging instruments relating to the effective portion of the hedge are recognised in OCI while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative gains or losses recorded in equity will be recognised in profit or loss.

In accordance with the transition provisions of the standard, the Group applies new requirements for classification and measurement and impairment of this standard retrospectively and new requirements for hedge accounting of this standard prospectively.

2.3 Issued But Not Yet Effective HKFRSs

Except for HKFRS 9, the Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Leases³</i>
Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

2.3 Issued But Not Yet Effective HKFRSs *(continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 Issued But Not Yet Effective HKFRSs *(continued)*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments in associates and joint ventures *(continued)*

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and OCI of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated OCI, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Fair value measurement

The Group measures its investment properties and derivative financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than assets under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 5%
Leasehold improvements	Over the shorter of the lease term and 20%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Vehicles	10% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Assets under construction represent properties under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, amortised land use rights and capitalised borrowing costs on related borrowed funds during the period of construction. Assets under construction are reclassified to appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Land use rights under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains, net in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses, net for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, amounts due to joint ventures and interest-bearing bank and other borrowings.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the financial guarantee contract, except when such a contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of each reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2.4 Summary of Significant Accounting Policies *(continued)*

Derivative financial instruments and hedge accounting *(continued)*

Initial recognition and subsequent measurement (continued)

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

2.4 Summary of Significant Accounting Policies *(continued)*

Derivative financial instruments and hedge accounting *(continued)*

Current versus non-current classification (continued)

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in OCI or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with interests in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset or over the benefits received by the Group related to such assets.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, which is when the construction work has been completed and the properties have been delivered to the buyer. Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) hotel revenue from room rentals, food and beverage sales and other ancillary services, when the services are rendered;
- (d) property management fee income, when the related management services have been provided;
- (e) management fee income, when the related management services have been provided; and
- (f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model and binomial model (the "Models"), further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award, and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 Summary of Significant Accounting Policies *(continued)*

Share-based payments *(continued)*

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 Summary of Significant Accounting Policies *(continued)*

Borrowing costs *(continued)*

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Company's functional currency is the Hong Kong dollar while the presentation currency of these financial statements is RMB. In the opinion of the directors, as the Group's operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and joint ventures not operating in Mainland China are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities and the Company are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in OCI and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and its overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and its overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Transfer from properties under development and completed properties held for sale to investment properties

Properties under development and completed properties held for sale are transferred to investment properties when there is a change in use with sufficient evidence. The Group determines whether a change in use has occurred based on assessment of all relevant facts and circumstances, which include but are not limited to: (a) a business plan that reflects the future rental income generated by the property; (b) the resources to hold and manage an investment property; (c) legal permissibility for the change in use; and (d) the commencement of development if the property requires further development for the change in use. Any excess of fair value over the original carrying amount of such properties at the date of transfer was recognised immediately in the consolidated statement of profit or loss. During the year ended 31 December 2016, properties under development and completed properties held for sale with total carrying amounts of approximately RMB131,690,000 (2015: RMB1,468,107,000) and RMB90,172,000 (2015: Nil), respectively, were transferred to investment properties due to a change in use, giving rise to a net fair value loss of approximately RMB504,000 (2015: gain of RMB243,386,000) and a net fair value gain of RMB38,586,000 (2015: Nil), respectively, in the consolidated statement of profit or loss.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, management of the Group has reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

3. Significant Accounting Judgements and Estimates *(continued)*

Judgements *(continued)*

Deferred taxation on investment properties (continued)

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment properties based on management's best estimate assuming future tax consequences through usage of such properties of rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment properties be subsequently disposed of by the Group, rather than all of the economic benefits embodied in the investment properties are consumed substantially by leasing over time. In the event that the investment properties are disposed of, the Group may be liable to higher tax upon disposal considering the impact of corporate income tax ("CIT") and land appreciation tax ("LAT").

Estimation uncertainty

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, are described below.

Revaluation of investment properties

Investment properties including completed investment properties and investment properties under construction are revalued at the end of each reporting period based on the appraised market value provided by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used. The carrying amount of the Group's investment properties at 31 December 2016 was approximately RMB10,533,100,000 (31 December 2015: approximately RMB9,549,593,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Estimation of net realisable value of properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is determined by the Group with reference to the prevailing market conditions and prices existing, on an individual property basis, at the end of each reporting period. As at 31 December 2016, the carrying amounts of properties under development and completed properties held for sale were approximately RMB38,503,341,000 (2015: RMB20,895,264,000) and RMB6,866,193,000 (2015: RMB6,533,673,000), respectively. During the year ended 31 December 2016, no impairment (2015: Nil) was provided for properties under development and completed properties held for sale.

CIT

The Group is subject to CIT in the PRC. As a result of the fact that certain matters relating to the CIT have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences will impact on the CIT and tax provision in the period in which the differences realise.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

PRC LAT

The Group is subject to LAT in the PRC. The provision of LAT is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculations and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact the LAT expenses and the related provision in the period in which the differences realise.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2016 was approximately RMB244,435,000 (2015: approximately RMB181,767,000). The amount of unrecognised tax losses at 31 December 2016 was approximately RMB1,174,217,000 (31 December 2015: approximately RMB1,139,542,000). Further details are contained in note 26 to the financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

4. Operating Segment Information

For management purposes, the Group is organised into four reportable operating segments as follows:

- | | |
|---------------------------|---|
| (a) Property development: | Sale of properties |
| (b) Property investment: | Leasing of properties |
| (c) Hotel operation: | Operation of hotels |
| (d) Property management: | Provision of property management services |

The property development projects undertaken by the Group during the year are all located in Mainland China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverables, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Other than the segment information disclosed below, the directors considered that other segment information is not reportable segment information used by the chief operating decision makers of the Group.

The Group's revenue from external customers is derived solely from its operations in Mainland China, and over 90% of the non-current assets of the Group are located in Mainland China, no further geographical segment information is provided.

During the years ended 31 December 2016 and 2015, there was no revenue derived from transactions with a single external customer which individually amounted to 10% or more of the Group's total revenue.

4. Operating Segment Information *(continued)*

Year ended 31 December 2016

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	7,922,956	182,411	389,839	370,123	8,865,329
Segment results	4,193,984	344,732	127,174	96,190	4,762,080
<i>Reconciliation:</i>					
Interest income and unallocated income					731,732
Unallocated expenses					(806,438)
Finance costs					(159,875)
Profit before tax					4,527,499
Income tax expenses					(1,065,893)
Profit for the year					3,461,606
Assets and liabilities:					
Segment assets	65,930,865	10,596,369	4,759,311	98,154	81,384,699
Segment liabilities	76,155,631	43,734	39,067	5,244	76,243,676
Other segment information:					
Depreciation and amortisation	42,593	2,337	103,825	1,137	149,892
Fair value gains on investment properties, net	–	165,900	–	–	165,900
Share of profits and losses of:					
Joint ventures	2,129,540	–	–	–	2,129,540
Investments in joint ventures	18,998,141	–	–	–	18,998,141

Year ended 31 December 2015

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	7,563,196	154,381	367,110	255,069	8,339,756
Segment results	4,225,450	861,614	94,056	19,757	5,200,877
<i>Reconciliation:</i>					
Interest income and unallocated income					103,080
Unallocated expenses					(631,153)
Finance costs					(10,451)
Profit before tax					4,662,353
Income tax expenses					(1,249,168)
Profit for the year					3,413,185
Assets and liabilities:					
Segment assets	51,023,083	9,616,023	4,481,260	73,811	65,194,177
Segment liabilities	50,184,456	45,343	30,622	2,093	50,262,514
Other segment information:					
Depreciation and amortisation	41,162	5,372	111,442	1,147	159,123
Fair value gains on investment properties, net	–	709,671	–	–	709,671
Share of profits and losses of:					
Associates	(2,661)	–	–	–	(2,661)
Joint ventures	1,935,245	–	–	–	1,935,245
Investments in joint ventures	21,829,575	–	–	–	21,829,575

5. Revenue, Other Income and Gains, Net

Revenue represents the gross proceeds, net of business tax, from the sale of properties; gross rental income received and receivable from investment properties, net of business tax; gross revenue from hotel operation and property management fee income, net of business tax during the year.

An analysis of revenue, other income and gains, net is as follows:

	Notes	2016 RMB'000	2015 RMB'000
Revenue:			
Sale of properties		7,922,956	7,563,196
Gross rental income		182,411	154,381
Hotel operation income		389,839	367,110
Property management fee income		370,123	255,069
		8,865,329	8,339,756
Other income and gains, net:			
Interest income		169,677	40,937
Foreign exchange differences, net		304,550	7,799
Management fee income		72,377	–
Gain on disposal of a subsidiary	33	44,708	–
Gain on acquisition of a subsidiary	32	57,198	–
Others		83,222	54,344
		731,732	103,080

6. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2016 RMB'000	2015 RMB'000
Cost of properties sold		5,570,990	4,986,172
Less: Government grant released*	24(a)	(171)	(217)
		5,570,819	4,985,955
Depreciation	13	144,414	154,088
Amortisation of land use rights	15	26,933	26,195
Less: Amount capitalised in assets under construction		(21,455)	(21,160)
		5,478	5,035
Premium paid on early redemption of senior notes***		117,667	–
Minimum lease payments under operating leases of land and buildings		37,467	22,146
Auditor's remuneration		4,350	4,350
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		546,890	549,603
Pension scheme contributions (defined contribution scheme)**		57,124	56,076
Equity-settled share option expense		–	54
		604,014	605,733
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development		(106,844)	(146,496)
		497,170	459,237
(Gain)/loss on disposal of investment properties, net		(5)	122
Loss on disposal of items of property, plant and equipment***		19	233
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		30,320	26,804

* There are no unfulfilled conditions or contingencies relating to this government grant.

** At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2015: Nil).

*** These items are included in "Other operating expenses, net" in the consolidated statement of profit or loss.

7. Finance Costs

An analysis of the Group's finance costs is as follows:

	2016 RMB'000	2015 RMB'000
Interest on bank and other borrowings	2,713,385	2,264,956
Less: Interest capitalised	(2,553,510)	(2,254,505)
	159,875	10,451

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Fees	6,486	6,033
Other emoluments:		
Salaries, allowances and benefits in kind	18,760	16,635
Equity-settled share option expense	–	73
Pension scheme contributions	273	265
	19,033	16,973
	25,519	23,006

There were no directors and chief executive being granted share options during the year (2015: Nil).

(a) Independent non-executive directors

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2016			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	462	–	462
Mr. Tam Chun Fai	462	–	462
Mr. Li Bin Hai	462	–	462
	1,386	–	1,386
2015			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	419	1	420
Mr. Tam Chun Fai	419	1	420
Mr. Li Bin Hai	419	–	419
	1,257	2	1,259

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

8. Directors' and Chief Executive's Remuneration *(continued)*

(b) Executive directors and chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity- settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016					
Executive directors:					
Mr. Kong Jian Min	1,342	3,500	–	49	4,891
Mr. Kong Jian Tao (note (i))	1,342	3,500	–	49	4,891
Mr. Kong Jian Nan	1,342	3,500	–	49	4,891
Mr. Li Jian Ming	358	1,244	–	49	1,651
Mr. Tsui Kam Tim	358	3,597	–	32	3,987
Mr. He Wei Zhi (note (ii))	358	3,419	–	45	3,822
	5,100	18,760	–	273	24,133
2015					
Executive directors:					
Mr. Kong Jian Min	1,257	3,491	–	47	4,795
Mr. Kong Jian Tao (note (i))	1,257	3,491	–	47	4,795
Mr. Kong Jian Nan	1,257	3,491	–	47	4,795
Mr. Li Jian Ming	335	1,346	18	47	1,746
Mr. Tsui Kam Tim	335	3,519	35	30	3,919
Mr. He Wei Zhi	335	1,297	18	47	1,697
	4,776	16,635	71	265	21,747

Notes:

(i) Mr. Kong Jian Tao is also the chief executive officer of the Company.

(ii) Resigned on 2 December 2016.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees for the year ended 31 December 2016 included five (2015: four) directors and the chief executive, details of whose remuneration are set out in note 8 above.

Details of the remuneration for the year ended 31 December 2015 of the remaining one highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	–	2,581
Pension scheme contributions	–	41
	–	2,622

The number of non-director and non-chief executive highest paid employees whose emoluments fell within the following bands is as follows:

	Number of employees	
	2016	2015
RMB2,500,001 to RMB3,000,000	–	1

10. Income Tax Expenses

	2016 RMB'000	2015 RMB'000
Current – PRC		
CIT	618,307	550,027
LAT	547,602	718,621
Deferred (note 26)	1,165,909 (100,016)	1,268,648 (19,480)
Total tax charge for the year	1,065,893	1,249,168

10. Income Tax Expenses *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate, is as follows:

	2016 RMB'000	2015 RMB'000
Profit before tax	4,527,499	4,662,353
Tax at the statutory tax rate of 25.0% (2015: 25.0%)	1,131,875	1,165,588
Income not subject to tax	(96,457)	(66)
Expenses not deductible for tax	107,043	19,543
Profits and losses attributable to associates	–	665
Profits and losses attributable to joint ventures	(532,385)	(483,811)
LAT	547,602	718,621
Effect of LAT	(136,901)	(179,655)
Tax effect of verification collection	10,997	11,300
Others	34,119	(3,017)
Tax charge at the Group's effective rate of 23.5% (2015: 26.8%)	1,065,893	1,249,168

For the year ended 31 December 2016, the share of CIT expense and LAT attributable to the joint ventures amounting to approximately RMB710,053,000 (2015: approximately RMB637,402,000) and approximately RMB554,121,000 (2015: approximately RMB656,267,000), respectively, are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

For the year ended 31 December 2015, the share of CIT credit attributable to the associates amounting to approximately RMB1,155,000 is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2016 and 2015.

PRC CIT

PRC CIT in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2016 and 2015, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

11. Dividends

	2016 RMB'000	2015 RMB'000
Proposed final dividend (with scrip option) – RMB40 cents (2015: scrip dividend (with a cash option) of RMB29 cents) per ordinary share	1,221,521	868,980
Proposed special dividend (with scrip option) – RMB11 cents (2015: Nil) per ordinary share	335,918	–
	1,557,439	868,980

The proposed final dividend and special dividend for the year, to be made out of the share premium account of the Company, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,021,295,752 (2015: 2,968,151,188) in issue during the year.

For the year ended 31 December 2016, the calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation of 3,021,295,752 (2015: 2,968,151,188) plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares of 244,437 (2015: 1,063,336).

The calculations of basic and diluted earnings per share amounts are based on:

	2016 RMB'000	2015 RMB'000
Earnings		
Profit attributable to owners of the Company	3,464,714	3,416,248
	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	3,021,295,752	2,968,151,188
Effect of dilution – share options	244,437	1,063,336
Weighted average number of ordinary shares during the year used in diluted earnings per share calculation	3,021,540,189	2,969,214,524

13. Property, Plant and Equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2016							
At 31 December 2015 and 1 January 2016:							
Cost	2,749,751	37,296	3,188	307,423	112,211	1,024,619	4,234,488
Accumulated depreciation	(263,043)	(16,651)	(3,173)	(195,461)	(62,333)	-	(540,661)
Net carrying amount	2,486,708	20,645	15	111,962	49,878	1,024,619	3,693,827
At 1 January 2016, net of accumulated depreciation	2,486,708	20,645	15	111,962	49,878	1,024,619	3,693,827
Additions	-	2,514	-	15,591	8,734	315,916	342,755
Disposals	-	-	-	(162)	(828)	-	(990)
Depreciation provided during the year	(82,458)	(4,556)	-	(40,891)	(16,509)	-	(144,414)
Acquisition of a subsidiary (note 32)	-	-	-	1	-	-	1
Disposal of a subsidiary (note 33)	-	(94)	-	(182)	(282)	-	(558)
At 31 December 2016, net of accumulated depreciation	2,404,250	18,509	15	86,319	40,993	1,340,535	3,890,621
At 31 December 2016:							
Cost	2,749,751	39,715	3,188	321,581	114,549	1,340,535	4,569,319
Accumulated depreciation	(345,501)	(21,206)	(3,173)	(235,262)	(73,556)	-	(678,698)
Net carrying amount	2,404,250	18,509	15	86,319	40,993	1,340,535	3,890,621

13. Property, Plant and Equipment *(continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2015							
At 1 January 2015:							
Cost	2,736,598	7,049	3,188	283,020	85,206	861,171	3,976,232
Accumulated depreciation	(188,421)	(5,083)	(3,173)	(137,840)	(57,327)	–	(391,844)
Net carrying amount	2,548,177	1,966	15	145,180	27,879	861,171	3,584,388
At 1 January 2015, net of accumulated depreciation							
At 1 January 2015, net of accumulated depreciation	2,548,177	1,966	15	145,180	27,879	861,171	3,584,388
Additions	13,153	30,247	–	25,650	33,326	163,448	265,824
Disposals	–	–	–	(999)	(1,298)	–	(2,297)
Depreciation provided during the year	(74,622)	(11,568)	–	(57,869)	(10,029)	–	(154,088)
At 31 December 2015, net of accumulated depreciation	2,486,708	20,645	15	111,962	49,878	1,024,619	3,693,827
At 31 December 2016:							
Cost	2,749,751	37,296	3,188	307,423	112,211	1,024,619	4,234,488
Accumulated depreciation	(263,043)	(16,651)	(3,173)	(195,461)	(62,333)	–	(540,661)
Net carrying amount	2,486,708	20,645	15	111,962	49,878	1,024,619	3,693,827

At 31 December 2016, certain items of the Group's property, plant and equipment with an aggregate net carrying amount of approximately RMB2,255,233,000 (2015: approximately RMB2,306,316,000) were pledged to secure general banking facilities granted to the Group (note 36(a)).

14. Investment Properties

	Completed investment properties RMB'000	2016 Investment properties under construction RMB'000	Total RMB'000	Completed investment properties RMB'000	2015 Investment properties under construction RMB'000	Total RMB'000
Carrying amount at 1 January	6,080,100	3,469,493	9,549,593	4,298,100	2,748,000	7,046,100
Transfers from properties under development (note 17)	-	131,690	131,690	-	1,468,107	1,468,107
Transfer from completed properties held for sale (note 18)	90,172	-	90,172	-	-	-
Additions	83,346	513,081	596,427	-	329,269	329,269
Transfers	123,000	(123,000)	-	1,371,163	(1,371,163)	-
Disposals	(682)	-	(682)	(3,554)	-	(3,554)
Net gain from a fair value adjustment	106,164	59,736	165,900	414,391	295,280	709,671
Carrying amount at 31 December	6,482,100	4,051,000	10,533,100	6,080,100	3,469,493	9,549,593

The Group's investment properties consist of commercial properties in the PRC. The directors of the Company have determined that the investment properties consist of one class of asset, commercial properties, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2016 based on valuations performed by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at approximately RMB10,533,100,000 (2015: approximately RMB9,549,593,000). Each year, the Group's property manager and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

At 31 December 2016, certain items of the Group's investment properties with an aggregate carrying amount of approximately RMB6,108,762,000 (2015: approximately RMB7,627,702,000) were pledged to secure general banking facilities granted to the Group (note 36(a)).

At 31 December 2016, the Group had not yet obtained the real estate ownership certificates of the Group's investment properties with a net carrying amount of approximately RMB6,336,000,000 (2015: approximately RMB5,434,493,000) from the relevant government authorities.

Further particulars of the Group's major investment properties are included on page 147 of the annual report.

14. Investment Properties *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for: Commercial properties	–	–	10,533,100	10,533,100

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for: Commercial properties	–	–	9,549,593	9,549,593

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2016	2015
Commercial properties	Investment approach and direct comparison approach	Market rent (per sq.m. and per month)	40 to 1,061	39 to 1,053
		Capitalisation rates	4.0% to 6.5%	4.0% to 6.5%

The Group has determined that the highest and best use of the commercial properties at the measurement date would be to convert the properties for residential purposes. For strategic reasons, the properties are not being used in this manner.

14. Investment Properties *(continued)*

Fair value hierarchy *(continued)*

All the properties are valued by the investment approach taking into account the rental income derived from the existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised into the value at appropriate rates.

The properties are also valued by the direct comparison approach on the assumption that each property can be sold in their existing state subject to existing tenancies or otherwise by making references to comparable sales transactions as available in the relevant markets. Comparison is based on prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. The two approaches are reconciled, if applicable.

A significant increase (decrease) in the capitalisation rates in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

15. Land Use Rights

	Note	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January		945,781	959,486
Additions and transfers from properties under development		148,813	12,490
Amortisation recognised during the year		(26,933)	(26,195)
Carrying amount at 31 December		1,067,661	945,781
Current portion included in prepayments, deposits and other receivables	20	(26,933)	(26,641)
Non-current portion		1,040,728	919,140

At 31 December 2016, certain items of the Group's land use rights with an aggregate net carrying amount of approximately RMB131,054,000 (2015: approximately RMB141,171,000) were pledged to banks to secure general banking facilities granted to the Group (note 36(a)).

At 31 December 2016, the Group has not yet obtained the land use right certificates of certain lands with an aggregate net carrying amount of approximately RMB27,450,000 (2015: approximately RMB27,450,000) from the relevant government authorities.

16. Interests in Joint Ventures/Balances with Joint Ventures

	2016 RMB'000	2015 RMB'000
Share of net assets	15,883,485	13,972,996
Advances to joint ventures	3,114,656	7,856,579
	18,998,141	21,829,575

As at 31 December 2016, except for an aggregate amounts of RMB1,020,720,000 (2015: RMB351,698,000), which are interest-bearing at 10% (2015: 5.25%–6.15%) per annum, the advances to joint ventures as shown above are unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances are considered as part of the Group's net investments in the joint ventures.

As at 31 December 2016, an amount due from a joint venture included in the Group's current assets of approximately RMB30,059,000 (2015: approximately RMB29,406,000) is unsecured, interest-free and has no fixed term of repayment.

As at 31 December 2016, the amount due to joint ventures included in the Group's current liabilities of approximately RMB21,530,757,000 are unsecured, interest-free and have no fixed terms of repayment.

As at 31 December 2015, excluding the amount due to a joint venture included in the Group's current liabilities of RMB800,000,000 which is unsecured, bears interest at 8.77% per annum and is payable within one year, the amounts due to joint ventures included in the Group's current liabilities of approximately RMB13,125,825,000 are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's material joint ventures as at 31 December 2016 are as follows:

Name	Particular of registered capital	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Guangzhou Fujing Real Estate Development Limited ("Guangzhou Fujing")#	HK\$1,993,000,000	PRC/ Mainland China	33.33	33.33	33.33	Property development

The English name of this entity referred to in these financial statements represent management's best effort to translate the Chinese name of this entity, as no English name has been registered.

The statutory financial statement of the joint venture is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Guangzhou Fujing, which is considered a material joint venture of the Group, engages in property development business in Mainland China and is accounted for using the equity method.

16. Interests in Joint Ventures/Balances with Joint Ventures *(continued)*

The following table illustrates the summarised financial information in respect of Guangzhou Fujing adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2016 RMB'000	2015 RMB'000
Total assets	14,642,350	12,920,499
Total liabilities	(5,909,127)	(5,248,482)
Profit and total comprehensive income for the year	1,061,206	1,359,207

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2016 RMB'000	2015 RMB'000
Share of the joint ventures' profit for the year	1,775,840	1,482,221
Share of the joint ventures' other comprehensive loss	(238,896)	(197,454)
Share of the joint ventures' total comprehensive income	1,536,944	1,284,767
Aggregate carrying amount of the Group's investments in the joint ventures	16,087,358	19,272,492

Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

17. Properties Under Development

	2016 RMB'000	2015 RMB'000
Properties under development expected to be recovered:		
Within one year	13,630,499	13,583,569
After more than one year	24,872,842	7,311,695
	38,503,341	20,895,264

The Group's properties under development were located in Mainland China and are stated at cost.

During the year ended 31 December 2016, certain items of the Group's properties under development with an aggregate carrying value of approximately RMB131,690,000 (2015: approximately RMB1,468,107,000) (note 14) were transferred to investment properties.

At 31 December 2016, certain items of the Group's properties under development with an aggregate carrying amount of approximately RMB5,612,689,000 (2015: approximately RMB10,699,900,000) were pledged to secure general banking facilities granted to the Group (note 36(a)).

17. Properties Under Development *(continued)*

Included in the Group's properties under development as at 31 December 2016 were land costs with an aggregate net carrying amount of approximately RMB7,641,172,000 (2015: approximately RMB246,048,000) in which the Group has not yet obtained land use right certificates from the relevant government authorities. The Group has not fully settled the purchase consideration in accordance with the terms of the relevant land use right grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the purchase consideration.

Further particulars of the Group's major properties under development are set out on page 147 of the annual report.

18. Completed Properties Held for Sale

The Group's completed properties held for sale are located in Mainland China. All completed properties held for sale are stated at cost.

During the year ended 31 December 2016, certain items of the Group's completed properties held for sale with an aggregate carrying value of approximately RMB90,172,000 (2015: Nil) (note 14) were transferred to investment properties.

At 31 December 2016, certain items of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB1,532,581,000 (2015: 353,712,000) were pledged to secure general banking facilities granted to the Group (note 36(a)).

Further particulars of the Group's major completed properties held for sale are set out on page 147 of the annual report.

19. Trade Receivables

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and provision of property management services. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of rental, property management and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally "one to six months" for major customers. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	108,714	239,374
4 to 6 months	14,634	9,801
7 to 12 months	16,293	9,919
Over 1 year	17,134	15,367
	156,775	274,461

19. Trade Receivables *(continued)*

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	123,348	249,175
1 to 6 months past due	16,293	9,919
Over 6 months past due	17,134	15,367
	156,775	274,461

The Group's trade receivables relate to a large number of diversified customers. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there was no recent history of default and the balances are still considered fully recoverable.

20. Prepayments, Deposits and Other Receivables

	Note	2016 RMB'000	2015 RMB'000
Prepayments		560,857	470,101
Prepaid other taxes		122,219	135,890
Prepaid land lease payments	15	26,933	26,641
Deposits and other receivables		1,490,696	1,357,825
		2,200,705	1,990,457

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. Tax Recoverables/Tax Payables

(a) Tax recoverables

	2016 RMB'000	2015 RMB'000
Prepaid CIT	57,773	43,155
Prepaid LAT	230,270	159,416
	288,043	202,571

(b) Tax payables

	2016 RMB'000	2015 RMB'000
CIT payable	2,086,659	1,773,958
LAT payable	3,344,711	2,945,135
	5,431,370	4,719,093

22. Cash and Cash Equivalents and Restricted Cash

	Notes	2016 RMB'000	2015 RMB'000
Cash and bank balances		17,396,872	6,345,889
Time deposits		9,504,700	6,220,188
		26,901,572	12,566,077
Less: Restricted cash	(a)	(1,130,660)	(1,619,607)
Cash and cash equivalents		25,770,912	10,946,470
		26,424,925	12,313,277
Denominated in RMB	(b)	476,647	252,800
Denominated in other currencies		26,901,572	12,566,077

Notes:

- (a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction of the relevant properties. As at 31 December 2016, such guarantee deposits amounted to approximately RMB1,130,660,000 (2015: approximately RMB1,619,607,000).

22. Cash and Cash Equivalents and Restricted Cash *(continued)*

Notes: *(continued)*

- (b) The RMB is not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made at a maximum of three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

23. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
Within one year	5,753,979	2,391,399

The trade and bills payables are non-interest-bearing and are normally settled on demand.

24. Other Payables and Accruals

	Note	2016 RMB'000	2015 RMB'000
Deposits received and receipts in advance		4,185,791	3,036,457
Other payables and accruals		5,454,565	4,079,552
Other tax payables		174,888	31,428
Deferred income	(a)	13,692	13,863
Payroll payables		10,028	9,461
		9,838,964	7,170,761

Note:

- (a) The deferred income is related to a government grant of RMB203,700,000 received in 2009 for a project in an economic and technological development zone in Guangzhou, Guangdong Province, the PRC. During the year, approximately RMB171,000 (2015: approximately RMB217,000) has been credited to the cost of sales.

Other payables are non-interest-bearing and are normally settled on demand.

25. Interest-bearing Bank and Other Borrowings

	2016			2015		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans						
– secured	5.04–5.46	2017	2,297,364	5.23–11.50	2016	2,488,281
– unsecured	–	–	–	5.18–7.52	2016	104,768
– denominated in HK\$, secured	HIBOR+4.29	2017	1,330,422	HIBOR+4.30	2016	56,558
– denominated in US\$, secured	–	–	–	LIBOR+4.30	2016	53,566
Current portion of long-term bank loans						
– secured	4.90–5.64	2017	1,125,729	4.90–7.53	2016	888,021
– denominated in HK\$, secured	–	–	–	HIBOR+4.29	2016	391,434
			4,753,515			3,982,628
Non-current						
Bank loans						
– secured	4.90–5.64	2018–2031	6,437,070	4.90–7.53	2017–2029	8,870,846
– denominated in HK\$, secured	–	–	–	HIBOR+4.29	2017	1,259,026
Senior notes						
– denominated in US\$, secured (a)	8.25–8.975	2019–2020	8,558,292	8.25–13.25	2017–2020	10,617,744
Domestic corporate bonds – unsecured (b)	3.90–6.15	2018–2021	23,201,093	4.94–6.15	2018–2020	3,267,384
			38,196,455			24,015,000
			42,949,970			27,997,628

25. Interest-bearing Bank and Other Borrowings *(continued)*

	2016 RMB'000	2015 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	4,753,515	3,982,628
In the second year	1,481,182	5,302,705
In the third to fifth years, inclusive	2,197,242	2,432,850
Beyond five years	2,758,646	2,394,317
	11,190,585	14,112,500
Senior notes repayable:		
In the second year	–	2,535,926
In the third to fifth years, inclusive	8,558,292	8,081,818
	8,558,292	10,617,744
Domestic corporate bonds repayable:		
In the second year	2,478,984	–
In the third to fifth years, inclusive	20,722,109	3,267,384
	23,201,093	3,267,384
	42,949,970	27,997,628

Certain items of the Group's borrowings are secured by the Group's assets, details of which are disclosed in note 36.

Except for the above mentioned borrowings denominated in HK\$ and US\$, all borrowings were denominated in RMB as at the end of the reporting period.

Notes:

- (a) On 22 March 2012, the Company issued 13.25% senior notes with an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,520,160,000) ("the 2012 Notes"). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 22 March 2017. The senior notes carry interest at a rate of 13.25% per annum, which is payable semi-annually in arrears on 22 March and 22 September of each year commencing on 22 September 2012. For further details on the senior notes, please refer to the related announcements of the Company dated 14 March 2012, 16 March 2012 and 23 March 2012. On 10 November 2016, the Company redeemed the 2012 Notes in full at a redemption price of 100% of the principal amount, plus the applicable premium as of, and accrued and unpaid interest to (but not including) 10 November 2016. For further details, please refer to the related announcements of the Company dated 11 October 2016 and 10 November 2016.

On 29 January 2013, the Company issued 8.625% senior notes with an aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB1,885,530,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 February 2020. The senior notes carry interest at a rate of 8.625% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 August 2013. For further details on the senior notes, please refer to the related announcements of the Company dated 29 January 2013, 30 January 2013 and 5 February 2013.

On 7 January 2014, the Company issued 8.975% senior notes with an aggregate principal amount of US\$600,000,000 (equivalent to approximately RMB3,662,520,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 14 January 2019. The senior notes carry interest at a rate of 8.975% per annum, which is payable semi-annually in arrears on 14 January and 14 July of each year commencing on 14 July 2014. For further details on the senior notes, please refer to the related announcements of the Company dated 7 January 2014, 8 January 2014 and 14 January 2014.

25. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(a) *(continued)*

On 29 July 2014, the Company issued 8.25% senior notes with an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,464,600,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 August 2019. The senior notes carry interest at a rate of 8.25% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 February 2015. For further details on the senior notes, please refer to the related announcements of the Company dated 29 July 2014, 30 July 2014 and 5 August 2014.

- (b)(i) On 17 December 2015, Guangzhou Hejing, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,300,000,000. The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 4.94% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 1 Bonds"), and the second type has a term of seven years and bears a coupon rate at 6.15% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 2 Bonds").

The aggregate principal amount for the Type 1 Bonds issued was RMB2,500,000,000 and the aggregate principal amount for the Type 2 Bonds issued was RMB800,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 15 December 2015 and 16 December 2015.

- (b)(ii) On 28 March 2016, Guangzhou Tianjian, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,200,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 3.90% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 3 Bonds"), and the second type has a term of ten years and bears a coupon rate at 4.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 4 Bonds").

The aggregate principal amount for the Type 3 Bonds issued was RMB600,000,000 and the aggregate principal amount for the Type 4 Bonds issued was RMB1,600,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 24 March 2016 and 28 March 2016.

- (b)(iii) On 26 April 2016, Guangzhou Tianjian issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB6,500,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of seven years and bears a coupon rate at 5.60% per annum with the issuer's option to raise the coupon rate after the end of the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 5 Bonds"), and the second type has a term of seven years and bears a coupon rate at 5.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 6 Bonds").

The aggregate principal amount for the Type 5 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 6 Bonds issued was RMB5,500,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 7 April 2016 and 26 April 2016.

25. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

- (b)(iv) On 21 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,000,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.85% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors can exercise retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 21 July 2016.

- (b)(v) On 28 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,300,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.95% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investor can exercise retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 28 July 2016.

- (b)(vi) On 30 September 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB8,000,000,000.

The domestic corporate bonds consist of three types, of which the first type has a term of seven years and bears a coupon rate at 5.6% per annum with the issuer's option to adjust the coupon rate after the end of the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 7 Bonds"), and the second type has a term of seven years and bears a coupon rate at 5.7% per annum with the issuer's option to adjust the coupon rate after the end of the fourth and a half year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 8 Bonds"), and the third type has a term of seven years and bears a coupon rate at 5.8% per annum with the issuer's option to adjust the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 9 Bonds").

The aggregate principal amount for Type 7 Bonds issued was RMB2,500,000,000; the aggregate amount for Type 8 Bonds issued was RMB2,500,000,000 and the aggregate amount for Type 9 Bonds issued was RMB3,000,000,000.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 30 September 2016.

26. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2016				Total RMB'000
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Revaluation of investment properties RMB'000	Withholding taxes RMB'000	
At 1 January 2016	61,182	30,571	1,333,579	139,720	1,565,052
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	8,463	(3,290)	41,322	-	46,495
Acquisition of subsidiaries (note 32)	-	74,942	-	-	74,942
Gross deferred tax liabilities at 31 December 2016	69,645	102,223	1,374,901	139,720	1,686,489

Deferred tax assets

	2016					Total RMB'000
	Depreciation allowance in excess of related depreciation RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	
At 1 January 2016	1,961	1,290,063	181,767	169,415	3,466	1,646,672
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	251	136,901	62,646	(53,244)	(43)	146,511
Acquisition of a subsidiary (note 32)	-	-	527	-	-	527
Disposal of a subsidiary (note 33)	-	-	(505)	-	-	(505)
Gross deferred tax assets at 31 December 2016	2,212	1,426,964	244,435	116,171	3,423	1,793,205
Net deferred tax credited to the statement of profit or loss during the year (note 10)						100,016
Net deferred tax assets at 31 December 2016						106,716

26. Deferred Tax *(continued)***Deferred tax liabilities**

	2015				Total RMB'000
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Revaluation of investment properties RMB'000	Withholding taxes RMB'000	
At 1 January 2015	57,337	33,020	1,156,977	139,720	1,387,054
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	3,845	(2,449)	176,602	–	177,998
Gross deferred tax liabilities at 31 December 2015	61,182	30,571	1,333,579	139,720	1,565,052

Deferred tax assets

	2015					Total RMB'000
	Depreciation in excess of related depreciation allowance RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	
At 1 January 2015	1,630	1,110,408	170,520	163,116	3,520	1,449,194
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	331	179,655	11,247	6,299	(54)	197,478
Gross deferred tax assets at 31 December 2015	1,961	1,290,063	181,767	169,415	3,466	1,646,672
Net deferred tax credited to the statement of profit or loss during the year (note 10)						19,480
Net deferred tax assets at 31 December 2015						81,620

26. Deferred Tax *(continued)*

Deferred tax assets *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2016 RMB'000	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,332,532	1,197,373
Net deferred tax liabilities recognised in the consolidated statement of financial position	(1,225,816)	(1,115,753)
	106,716	81,620

The Group has unutilised tax losses arising in Mainland China of approximately RMB2,151,957,000 (2015: approximately RMB1,866,610,000) that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses amounting to approximately RMB1,174,217,000 (2015: approximately RMB1,139,542,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2016, unremitted earnings that are subjected to withholding taxes of the Group's subsidiaries and joint ventures established in the Mainland China of approximately RMB10,197,222,000 (2015: approximately RMB7,681,080,000) have not been recognised for withholding taxes.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. Deferred Revenue

The Group entered into an agreement with a vendor (the "Vendor") on 7 July 2011, pursuant to which the Group should pay a cash consideration of RMB43,400,000, and transfer certain apartments and car parking spaces (collectively, the "Transfer Properties") of RMB11,000,000 to the Vendor, in exchange for the 10% equity interest in Shanghai Deyu. The exchange of the Transfer Properties is accounted for as a transaction which generates revenue. During the year ended 31 December 2014, the Group entered into a supplemental agreement with the Vendor, pursuant to which the Group paid cash consideration of RMB8,958,000 to the Vendor in replace of transferring partial apartments and car parking spaces to the Vendor. As at 31 December 2016, the remaining apartments and car parking spaces had not been transferred to the Vendor. Accordingly, the above revenue is deferred and will be recognised upon the delivery of the remaining parts of the Transfer Properties.

28. Share Capital

Shares

	2016		2015	
	No. of shares	RMB'000	No. of shares	RMB'000
Authorised:				
Ordinary shares of HK\$0.10 each	8,000,000,000	786,113	8,000,000,000	786,113
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	3,053,801,748	293,590	2,996,482,528	288,663

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2015	2,946,234,908	284,706	6,806,653	7,091,359
Share options exercised (note a)	1,295,750	100	5,492	5,592
Shares issued as scrip dividend during the year	48,951,870	3,857	243,204	247,061
At 31 December 2015 and 1 January 2016	2,996,482,528	288,663	7,055,349	7,344,012
Share options exercised (note a)	30,000	3	143	146
Final 2015 dividend declared	–	–	(868,980)	(868,980)
Shares issued as scrip dividend during the year	57,289,220	4,924	210,373	215,297
At 31 December 2016	3,053,801,748	293,590	6,396,885	6,690,475

Note:

- (a) The subscription rights attaching to 30,000 (2015: 1,295,750) share options were exercised at the subscription price of HK\$4.49 per share (note 29), resulting in the issue of 30,000 (2015: 1,295,750) shares for a total cash consideration, before expenses, of approximately RMB117,000 (2015: RMB4,489,000). An amount of approximately RMB29,000 (2015: RMB1,103,000) was transferred from the equity-settled share option reserve to the share premium account upon the exercise of the share options.

29. Share Option Scheme

Pursuant to a written resolution of the shareholders of the Company on 11 June 2007, the Scheme was conditionally approved. On 3 July 2007, the aforesaid approval of the Scheme became unconditional and effective as the Company's shares were listed on the Stock Exchange of Hong Kong Limited. The Scheme is for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Group's directors, including independent non-executive directors, any full-time or part-time employees of the Group, suppliers, customers, advisers, consultants and agents to the Group. Upon becoming effective, the Scheme will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme must not in aggregate exceed 10% of the shares of the Company in issue immediately following completion of the global offering and the capitalisation issue of the Company's shares in 2007. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme at any time shall not exceed 30% of the shares in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5,000,000 or such other sum as may be from time to time provided under the Listing Rules, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors of the Company in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange of Hong Kong Limited closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange of Hong Kong Limited closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 26 August 2011, the Company granted 7,351,000 share options, to the grantees, including the board of directors of the Company and certain employees of the Group. 4,585,250 (2015: Nil) share options were forfeited or lapsed during the year. 30,000 (2015: 1,295,750) share options were exercised by the grantees during the year.

No share options were granted and cancelled under the Scheme during the year (2015: Nil).

The exercise price of the outstanding share options granted on 26 August 2011 was HK\$4.49 per share.

29. Share Option Scheme *(continued)*

The closing price of the Company's shares on 26 August 2011, the date of grant, was HK\$4.32 per share.

The share options granted to the executive directors of the Company and employees of the Group are exercisable during the following periods:

Share options granted on 26 August 2011

- (i) up to 25% of the share options granted to each grantee at any time after the expiration of 12 months from 26 August 2011;
- (ii) up to 50% of the share options granted to each grantee at any time after the expiration of 24 months from 26 August 2011;
- (iii) up to 75% of the share options granted to each grantee at any time after the expiration of 36 months from 26 August 2011;
- (iv) all the share options granted to each grantee at any time after the expiration of 48 months from 26 August 2011;

and, in each case, not later than 25 August 2016.

The share options granted to the independent non-executive directors of the Company are exercisable at any time prior to 25 August 2016.

HK\$1.00 is payable for acceptance of grant of share options by each grantee.

The fair value of the share options granted on 26 August 2011 determined at the date of grant using the Models was approximately RMB6,696,000. The Group recognised a share option expense of approximately RMB127,000 during the year ended 31 December 2015.

The following inputs were used to calculate the fair values of the share options granted:

	Options granted on 26 August 2011
Grant date share price	HK\$4.32
Exercise price	HK\$4.49
Expected life	5 years
Expected volatility	66%
Expected dividend yield (%)	3.11%
Risk-free interest rate (%)	0.79%

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

29. Share Option Scheme *(continued)*

The Models have been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options.

At each reporting date, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the statement of profit or loss, with a corresponding adjustment to the equity-settled share option reserve.

As at 31 December 2016 and at the date of approval of these financial statements, no share options were outstanding under the Scheme.

30. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 67 to 68 of the financial statements.

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries which are registered in the PRC shall appropriate a certain percentage of profit for the year (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds which are restricted as to use. During the year ended 31 December 2016, the Group appropriated approximately RMB163,458,000 (2015: approximately RMB110,402,000) to these reserve funds in accordance with the relevant laws and regulations in the PRC.

31. Investments in Joint Operations

The Group has entered into three (2015: three) joint venture arrangements in the form of joint operations with certain parties, to jointly undertake three (2015: three) property development projects located in Guangzhou, Guangdong Province, the PRC. As at 31 December 2016, the aggregate amounts of assets and liabilities recognised in respect of these joint operations were as follows:

	2016 RMB'000	2015 RMB'000
Assets	3,931,002	3,476,788
Liabilities	(185,146)	(293,720)

32. Business Combination

- (i) On 30 April 2016, the Group acquired a 55% equity interest in Chengdu Fangyuan Hengyue Real Estate Co., Limited (“Chengdu Fangyuan”)[#] from a third party. Chengdu Fangyuan is principally engaged in property development. The purchase consideration for the acquisition was approximately RMB12,222,000, which was fully paid on the acquisition date.

The fair values of the identifiable assets and liabilities of Chengdu Fangyuan as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition RMB'000
Properties under development		909,847
Cash and cash equivalents		55
Prepayments, deposits and other receivables		465,497
Trade payables		(2,193)
Other payables and accruals		(1,324,105)
Deferred tax liabilities	26	(24,135)
Total identifiable net assets at fair value		24,966
Non-controlling interests		(12,744)
Satisfied by cash		12,222

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(12,222)
Cash and cash equivalents acquired	55
Net outflow of cash and cash equivalents included in cash flows from investing activities	(12,167)

[#] The English name of this company referred to in these financial statements represents management's best effort to translate the Chinese name of that company, as no English name has been registered.

Since the acquisition, Chengdu Fangyuan had not contributed to the Group's revenue and contributed loss of approximately RMB2,744,000 to the Group's consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2016 would have been approximately RMB8,865,329,000 and RMB3,460,542,000, respectively.

32. Business Combination *(continued)*

- (ii) On 28 October 2016, the Group acquired a 55% equity interest in Sichuan Province Hengli Culture Tourism Development Co., Limited (“Hengli Culture”)[#] from a third party. Hengli Culture is principally engaged in property development. The purchase consideration for the acquisition was approximately US\$6,039,000 (equivalent to approximately RMB40,977,000), which was accrued on the acquisition date and would be paid pursuant to the agreed timetable with the seller.

The fair values of the identifiable assets and liabilities of Hengli Culture as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Properties under development	52,886
Cash and cash equivalents	3
Prepayments, deposits and other receivables	23,002
Trade payables	(857)
Other payables and accruals	(531)
Total identifiable net assets at fair value	74,503
Non-controlling interests	(33,526)
Satisfied by other payable	40,977

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and cash equivalents acquired	3
Net inflow of cash and cash equivalents included in cash flows from investing activities	3

[#] The English name of this company referred to in these financial statements represents management's best effort to translate the Chinese name of that company, as no English name has been registered.

Since the acquisition, Hengli Culture had not contributed to the Group's revenue and contributed loss of approximately RMB389,000 to the Group's consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2016 would have been approximately RMB8,865,329,000 and RMB3,461,197,000, respectively.

32. Business Combination *(continued)*

- (iii) The Group previously held 51% equity interest in Suzhou Yujing and accounted for Suzhou Yujing as a joint venture of the Group. Suzhou Yujing is principally engaged in property development. On 2 November 2016, the Group acquired the remaining 49% equity interest in Suzhou Yujing from Suzhou Industrial Park Jia'an Investment Co., Limited#. The purchase consideration for the acquisition was RMB49,000,000, which was fully paid on the acquisition date.

The fair values of the identifiable assets and liabilities of Suzhou Yujing as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	1
Completed properties held for sale		562,630
Cash and cash equivalents		80,751
Trade receivables		24
Prepayments, deposits and other receivables		1,138,171
Deferred tax assets	26	527
Trade payables		(59,864)
Other payables and accruals		(1,557,547)
Tax payables		(13,886)
Deferred tax liabilities	26	(50,807)
Total identifiable net assets at fair value		100,000
51% equity interest in Suzhou Yujing held by the Group prior to the acquisition		(51,000)
Satisfied by cash		49,000
Gain on acquisition of a subsidiary:		
Fair value of the previously held 51% equity interest in Suzhou Yujing at the date of acquisition		51,000
Deficiency in assets of Suzhou Yujing shared by the Group at the date of acquisition		(6,198)
Gain on acquisition of a subsidiary	5	57,198

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(49,000)
Cash and cash equivalents acquired	80,751
Net inflow of cash and cash equivalents included in cash flows from investing activities	31,751

32. Business Combination *(continued)*

(iii) *(continued)*

The English name of this company referred to in these financial statements represents management's best effort to translate the Chinese name of that company, as no English name has been registered.

Since the acquisition, Suzhou Yujing contributed approximately RMB20,570,000 to the Group's revenue and loss of approximately RMB1,326,000 to the Group's consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2016 would have been approximately RMB9,083,798,000 and RMB3,464,374,000, respectively.

33. Disposal of a Subsidiary

During the year ended 31 December 2016, the Group entered into the share transfer agreements for the disposal of its entire equity interests in a wholly-owned subsidiary for total considerations of RMB43,739,000.

Details of the net assets disposed of as at the date of disposal under the share transfer agreements and the financial impacts are summarised below:

	Notes	2016 RMB'000
Net assets disposed of:		
Property, plant and equipment	13	558
Deferred tax assets	26	505
Prepayments, deposits and other receivables		2
Cash and cash equivalents		311
Properties under development		234,438
Other payables and accruals		(236,783)
		(969)
Gain on disposal of a subsidiary	5	44,708
		43,739
Satisfied by cash		43,739

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2016 RMB'000
Cash consideration	43,739
Cash and cash equivalents disposed of	(311)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	43,428

34. Note to the Consolidated Statement of Cash Flow

Derecognition of a subsidiary

During the year ended 31 December 2016, the Group entered into a shareholder agreement with Chuangxiang (Shenzhen) Real Estate Co., Limited ("Chuangxiang"), pursuant to which Chuangxiang injected a cash consideration of RMB20,000,000 to obtain 50% of fully diluted equity interest in Guangzhou Jiejing Tourism Investment Co., Limited ("Jiejing Tourism"), a wholly-owned subsidiary of the Company before the capital injection. Subsequent to the capital injection by Chuangxiang, all significant resolutions of Jiejing Tourism should be approved by the Group and Chuangxiang unanimously, hence the Group no longer has unilateral control, but has joint control over Jiejing Tourism, and accordingly, Jiejing Tourism was derecognised as a subsidiary of the Company and is accounted for as a joint venture of the Group thereafter.

Details of the net assets derecognized of as at the date of derecognition and the financial impacts are summarised below:

	2016 RMB'000
Net assets derecognised of:	
Properties under development	3,187,781
Prepayments, deposits and other receivables	63,000
Cash and cash equivalents	1,101,135
Trade payables	(1,640,355)
Other payables and accruals	(1,591,557)
Interest-bearing bank borrowings	(1,080,000)
Net assets value derecognised	40,004

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Jiejing Tourism is as follows:

	2016 RMB'000
Cash and cash equivalents derecognised	(1,101,135)
Net cash outflow of cash and cash equivalents in respect of the derecognition of Jiejing Tourism	(1,101,135)

35. Contingent Liabilities

At the end of the reporting period, contingent liabilities of the Group not provided for in the financial statements were as follows:

	Notes	2016 RMB'000	2015 RMB'000
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	(a)	7,329,970	5,608,892
Guarantees given to banks in connection with bank loans granted to joint ventures	(b)	5,069,583	3,891,230
		12,399,553	9,500,122

Notes:

- (a) As at 31 December 2016 and 2015, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the board of directors of the Company considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the years ended 31 December 2016 and 2015 for the guarantees.

- (b) As at 31 December 2016, the banking facilities guaranteed by the Group to joint ventures were utilised to the extent of approximately RMB5,069,583,000 (2015: approximately RMB3,891,230,000).

36. Pledge of Assets

- (a) At the end of the reporting period, the following assets of the Group were pledged to certain banks to secure general banking facilities granted to the Group:

	Notes	2016 RMB'000	2015 RMB'000
Buildings	13	2,255,233	2,306,316
Investment properties	14	6,108,762	7,627,702
Land use rights	15	131,054	141,171
Properties under development	17	5,612,689	10,699,900
Completed properties held for sale	18	1,532,581	353,712
		15,640,319	21,128,801

36. Pledge of Assets *(continued)*

- (b) As at 31 December 2016 and 2015, the equity interests of certain subsidiaries of the Group were pledged to certain banks for the loans granted to the Group.
- (c) As at 31 December 2016 and 2015, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.
- (d) As at 31 December 2016, the domestic corporate bonds of approximately RMB11,924,401,000 (2015: approximately RMB3,267,384,000) were guaranteed by the Company.

37. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 15 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	221,008	152,837
In the second to fifth years, inclusive	389,937	228,807
After five years	55,187	16,101
	666,132	397,745

(b) As lessee

The Group lease certain items of office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 month to 3 years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	14,280	15,349
In the second to fifth years, inclusive	12,711	14,967
	26,991	30,316

38. Commitments

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following capital commitments at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	334,551	274,513
Properties being developed by the Group for sale	2,500,451	3,575,021
Investment properties	421,548	586,530
	3,256,550	4,436,064

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for	2,054,222	2,781,210

39. Related Party Transactions

(a) During the year ended 31 December 2016, the Group provided project management services to certain joint ventures of the Group with a total cash consideration of approximately RMB64,748,000 (2015: Nil), which was recognised as other income of the Group. The management fee income was determined at rates mutually agreed between the Group and the joint ventures.

(b) Other transactions with related parties

Details of guarantees given by the Group to banks in connection with bank loans granted to joint ventures are included in note 35 to the financial statements.

(c) Outstanding balances with related parties

Details of the Group's balances with its joint ventures are included in notes 16 to the financial statements.

(d) Compensation of key management personnel of the Group

	2016 RMB'000	2015 RMB'000
Short term employee benefits	38,674	36,176
Equity-settled share option expense	–	73
Post-employment benefits	700	676
Total compensation paid to key management personnel	39,374	36,925

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

40. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets – Loans and receivables

	Notes	2016 RMB'000	2015 RMB'000
Trade receivables	19	156,775	274,461
Financial assets included in prepayments, deposits and other receivables	20	1,490,696	1,357,825
Due from a joint venture	16	30,059	29,406
Restricted cash	22	1,130,660	1,619,607
Cash and cash equivalents	22	25,770,912	10,946,470
		28,579,102	14,227,769

Financial liabilities – Financial liabilities at amortised cost

	Notes	2016 RMB'000	2015 RMB'000
Trade and bills payables	23	5,753,979	2,391,399
Financial liabilities included in other payables and accruals	24	5,454,565	4,079,552
Due to joint ventures	16	21,530,757	13,925,825
Interest-bearing bank and other borrowings	25	42,949,970	27,997,628
		75,689,271	48,394,404

41. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Financial liabilities:				
Interest-bearing bank and other borrowings	42,949,970	27,997,628	43,617,050	28,761,296

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to joint ventures approximate to their carrying amounts largely due to the short term maturities of these instruments.

41. Fair Value and Fair Value Hierarchy of Financial Instruments *(continued)*

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2016 and 2015.

During the years ended 31 December 2016 and 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

As at 31 December 2016

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	–	43,617,050	–	43,617,050

As at 31 December 2015

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	–	28,761,296	–	28,761,296

42. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables, and amounts due from joint ventures. The financial liabilities of the Group mainly include trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings and amounts due to joint ventures.

The main risks arising from the Group's financial instruments are business risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management and focuses on minimising potential adverse effects of these risks with material impact on the Group's financial performance. The Group's exposure to these risks is kept to a minimum. Management closely monitors the risk exposure and will consider using derivatives and other instruments to hedge significant risk exposure should the need arise. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

Business risk

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

Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2016			
RMB	200	(155,443)	–
Hong Kong dollar	200	(19,267)	–
RMB	(200)	155,443	–
Hong Kong dollar	(200)	19,267	–

42. Financial Risk Management Objectives and Policies *(continued)*

Interest rate risk *(continued)*

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2015			
RMB	200	(201,385)	–
Hong Kong dollar	200	(31,286)	–
United States dollar	200	(89)	–
RMB	(200)	201,385	–
Hong Kong dollar	(200)	31,286	–
United States dollar	(200)	89	–

* Excluding retained profits

Foreign currency risk

The Group's businesses are located in the PRC and the transactions are mainly conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's foreign currency exposures mainly arise from interest-bearing bank and other borrowings and bank balances denominated in currencies other than the units' functional currencies as at 31 December 2016 and 31 December 2015.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HK\$ rate %	Increase/ (decrease) in US\$ rate %	Increase/ (decrease) in profit before tax RMB'000
2016			
If RMB weakens against Hong Kong dollar	(5)	N/A	551,087
If RMB strengthens against Hong Kong dollar	5	N/A	(551,087)
If RMB weakens against United States dollar	N/A	(5)	11,172
If RMB strengthens against United States dollar	N/A	5	(11,172)

42. Financial Risk Management Objectives and Policies *(continued)*

Foreign currency risk *(continued)*

	Increase/ (decrease) in HK\$ rate %	Increase/ (decrease) in US\$ rate %	Increase/ (decrease) in profit before tax RMB'000
2015			
If RMB weakens against Hong Kong dollar	(5)	N/A	(84,114)
If RMB strengthens against Hong Kong dollar	5	N/A	84,114
If RMB weakens against United States dollar	N/A	(5)	(522,172)
If RMB strengthens against United States dollar	N/A	5	522,172

Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposits with state-owned banks in the PRC and high-credit rating banks in Hong Kong.

The carrying amounts of trade and other receivables, due from a joint venture, cash and cash equivalents and restricted cash included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure the obligations of these purchasers for repayments. Detailed disclosure of these guarantees is made in note 35.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents through the sales proceeds generated from the sale of the properties and having available funding through an adequate amount of credit facilities to meet the Group's construction commitments. The board of directors of the Company expects that the Group's net cash flows from operating activities and additional bank and other borrowings will be available to finance the Group's existing and future property development projects. The Group has a number of alternative plans to mitigate the potential impacts on the Group's working capital should there be any significant adverse changes in the economic environment. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

42. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2016					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	713,917	6,512,482	41,773,214	3,217,073	52,216,686
Trade and bills payables	5,753,979	–	–	–	–	5,753,979
Other payables and accruals	5,454,565	–	–	–	–	5,454,565
Due to joint ventures	21,530,757	–	–	–	–	21,530,757
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	7,329,970	–	–	–	–	7,329,970
Guarantee given to banks in connection with bank loans granted to joint ventures	5,069,583	–	–	–	–	5,069,583
	45,138,854	713,917	6,512,482	41,773,214	3,217,073	97,355,540

	2015					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,324,335	4,595,710	25,354,393	2,826,431	34,100,869
Trade and bills payables	2,391,399	–	–	–	–	2,391,399
Other payables and accruals	4,079,552	–	–	–	–	4,079,552
Due to joint ventures	13,925,825	–	–	–	–	13,925,825
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	5,608,892	–	–	–	–	5,608,892
Guarantee given to banks in connection with bank loans granted to joint ventures	3,891,230	–	–	–	–	3,891,230
	29,896,898	1,324,335	4,595,710	25,354,393	2,826,431	63,997,767

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

42. Financial Risk Management Objectives and Policies *(continued)*

Capital management *(continued)*

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio, which is the net borrowings (total bank and other borrowings net of cash and cash equivalents and restricted cash) divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios as at the end of the reporting periods were as follows:

	2016 RMB'000	2015 RMB'000
Net borrowings	16,048,398	15,431,551
Total equity	24,008,912	22,358,916
Gearing ratio	66.8%	69.0%

43. Subsequent Events

- (a) On 11 January 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US\$250,000,000 (equivalent to approximately RMB1,733,113,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 11 January 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 11 January and 11 July of each year, commencing on 11 July 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 29 December 2016, 30 December 2016 and 11 January 2017.
- (b) On 26 February 2017, the Company redeemed the outstanding 8.625% senior notes due 2020 with an aggregate principle amount of US\$300,000,000 in full at a redemption price to 104.3125% of the principal amount thereof, plus accrued and unpaid interest. For further details, please refer to the related announcements of the Company dated 27 January 2017 and 2 March 2017.
- (c) On 15 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,772,980,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year, commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 9 March 2017, 10 March 2017 and 16 March 2017.
- (d) In 2017, the Group and Logan Property Holdings Company Limited ("Logan") jointly made a successful bid for a premium residential site at Lee Nam Road, Ap Lei Chau of Hong Kong (the "Site") for a total consideration of approximately HK\$16,855,000,000, in which the Group's share of consideration is approximately HK\$8,427,500,000. The Group and Logan have 50% ownership of the project, respectively.

44. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	30,669	35,810
Interests in subsidiaries	19,571,784	12,716,279
Interests in joint ventures	3,281,149	2,637,105
Total non-current assets	22,883,602	15,389,194
CURRENT ASSETS		
Prepayments, deposits and other receivables	103,640	167,438
Due from subsidiaries	4,487,711	4,202,784
Cash and cash equivalents	398,792	25,161
Total current assets	4,990,143	4,395,383
CURRENT LIABILITIES		
Other payables and accruals	528,050	433,659
Due to joint ventures	213,238	296,680
Interest-bearing bank and other borrowings	1,330,422	501,557
Total current liabilities	2,071,710	1,231,896
NET CURRENT ASSETS	2,918,433	3,163,487
TOTAL ASSETS LESS CURRENT LIABILITIES	25,802,035	18,552,681
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	19,834,984	11,876,770
Total non-current liabilities	19,834,984	11,876,770
NET ASSETS	5,967,051	6,675,911
EQUITY		
Issued capital	293,590	288,663
Reserves	5,673,461	6,387,248
TOTAL EQUITY	5,967,051	6,675,911

44. Statement of Financial Position of the Company *(continued)*

Note:

A summary to the Company's reserves is as follows:

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2015		6,806,653	308,006	(1,092,071)	5,812	1,059,884	7,088,284
Final 2014 dividend declared		–	–	–	–	(972,258)	(972,258)
Shares issued as scrip dividend during the year	28	243,204	–	–	–	–	243,204
Share option exercised	28	5,492	–	–	(1,103)	–	4,389
Share option expenses	29	–	–	–	127	–	127
Loss for the year		–	–	–	–	(100,859)	(100,859)
Exchange differences on translation into presentation currency		–	–	124,361	–	–	124,361
At 31 December 2015 and 1 January 2016		7,055,349	308,006	(967,710)	4,836	(13,233)	6,387,248
Final 2015 dividend declared	28	(868,980)	–	–	–	–	(868,980)
Shares issued as scrip dividend during the year	28	210,373	–	–	–	–	210,373
Share options exercised	28	143	–	–	(29)	–	114
Transfer of equity-settled share option reserve upon the forfeiture or expiry of share options		–	–	–	(4,807)	4,807	–
Loss for the year		–	–	–	–	(74,369)	(74,369)
Exchange differences on translation into presentation currency		–	–	19,075	–	–	19,075
At 31 December 2016		6,396,885	308,006	(948,635)	–	(82,795)	5,673,461

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation of the Group in preparation for the listing of the Company, over the nominal value of the Company's shares in exchange therefor.

The equity-settled share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 21 March 2017.

Projects at a Glance

31 December 2016

Major Properties held by the Group

Property	The Group's interest (%)	Location	Site area attributable to the Group's interest ('000 sq.m.)	Total GFA attributable to the Group's interest ('000 sq.m.)	Usage	Expected date of completion
Major completed properties held for sale						
The Summit	100	Zengcheng City, Guangzhou	760	1,065	Residential, villa, serviced apartment, office and retail	N/A
Pearl Coast	100	Lingshui, Hainan	253	154	Villa and residential	N/A
The Sapphire	100	Xiangcheng District, Suzhou	319	860	Residential, serviced apartment, office and retail	N/A
Chengdu Cosmos	100	South New District, Chengdu	91	501	Residential, serviced apartment, office and retail	N/A
Leader Plaza	100	Industrial Park, Suzhou	14	77	Serviced apartment, office and retail	N/A
Fragrant Seasons	100	Shunyi District, Beijing	373	505	Residential, villa, serviced apartment and retail	N/A
Moon Bay Project	100	Wenchang, Hainan	157	120	Residential, villa and retail	N/A
Major properties under development						
The Summit	100	Zengcheng City, Guangzhou	1,211	1,696	Residential, villa, serviced apartment, office and retail	2017–2019
Chengdu Cosmos	100	South New District, Chengdu	96	528	Residential, serviced apartment, office and retail	2017–2018
KWG Center I	100	Tongzhou District, Beijing	18	128	Serviced apartment, office and retail	2019
KWG Center II	100	Tongzhou District, Beijing	17	125	Serviced apartment, office and retail	2017–2019
Essence of City	100	Zengcheng City, Guangzhou	119	359	Residential, villa and retail	2017–2019
Tianjin Binhai Project	100	Binhai New District, Tianjing	107	262	Residential, villa and retail	2018–2019
Shanghai Songjiang Project	100	Songjiang District, Shanghai	87	122	Residential	2018–2019
Hangzhou Shenhua Project	100	Shenhua District, Hangzhou	21	50	Residential and villa	2019
Hangzhou Xiaoshan Project	100	Xiaoshan District, Hangzhou	19	56	Residential and villa	2018–2019
Foshan Shunde Project	100	Shunde District, Foshan	92	305	Residential and retail	2018–2020
Yoonsang (formerly called Chengdu Dayi Project)	55	Dayi District, Chengdu	210	618	Serviced apartment, office, retail and hotel	2017–2018
Property			The Group's interest (%)		Usage	

Major investment properties

International Finance Place, Plot J-6, Pearl River New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC	100	Office and retail	Medium term lease
Global Metropolitan Plaza, 68 Huangcheng Avenue, Pearl River New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC	50	Office and retail	Medium term lease

Five Year Financial Summary

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

Consolidated Results

	Year ended 31 December				2016 RMB'000
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	
Revenue	9,676,422	9,468,002	10,465,788	8,339,756	8,865,329
Profit before tax	3,765,987	3,703,803	4,645,572	4,662,353	4,527,499
Income tax expenses	(1,333,017)	(954,550)	(1,377,431)	(1,249,168)	(1,065,893)
Profit for the year	2,432,970	2,749,253	3,268,141	3,413,185	3,461,606
Attributable to:					
Owners of the Company	2,406,368	2,749,769	3,272,225	3,416,248	3,464,714
Non-controlling interests	26,602	(516)	(4,084)	(3,063)	(3,108)
	2,432,970	2,749,253	3,268,141	3,413,185	3,461,606
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	RMB83 cents	RMB95 cents	RMB112 cents	RMB115 cents	RMB115 cents

Consolidated Assets, Liabilities and Equity

	As at 31 December				2016 RMB'000
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	
ASSETS					
Non-current assets	19,165,733	25,139,681	30,035,002	37,189,508	35,795,122
Current assets	29,698,727	36,450,703	41,512,013	42,491,909	74,946,688
Total assets	48,864,460	61,590,384	71,547,015	79,681,417	110,741,810
LIABILITIES					
Current liabilities	18,894,983	24,987,343	28,047,614	32,189,706	47,308,585
Non-current liabilities	14,616,098	18,760,879	23,062,985	25,132,795	39,424,313
Total liabilities	33,511,081	43,748,222	51,110,599	57,322,501	86,732,898
EQUITY					
Equity attributable to owners of the Company	15,281,531	17,817,508	20,415,846	22,341,409	23,950,445
Non-controlling interests	71,848	24,654	20,570	17,507	58,467
Total equity	15,353,379	17,842,162	20,436,416	22,358,916	24,008,912



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