合景泰富地產

KWG Property Holding Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 1813

Build Home with Heart
Create Future with Aspiration

Annual Report 2015

Contents

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

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
Bank of China Limited
The Bank of East Asia, Limited
Industrial and Commercial Bank
of China (Asia) Limited
Standard Chartered Bank
(Hong Kong) Limited
Guangzhou Rural Commercial Bank
Co., Ltd.
Shanghai Pudong Development
Bank Co., Ltd.
China Minsheng Banking Corp. Ltd.
China Guangfa Bank Co., Ltd.

Auditors

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, and management of high quality properties.

Over the past 21 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, serviced apartments, villas, office buildings, 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, Nanning and Hainan as its hubs for South China, Suzhou, Shanghai and Hangzhou for East China, Chengdu for South-west China, Beijing and Tianjin for the Bohai Rim region, as well as Zhengzhou for Central China.

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 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

Audit Committee

Remuneration Committee

Nomination Committee

Chief Financial Officer

Vice President — *Human Resources Division*

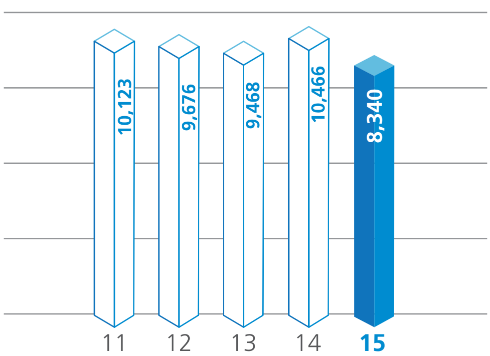
Director — *Operations Management Division*

General Manager — *Finance Resources Division*

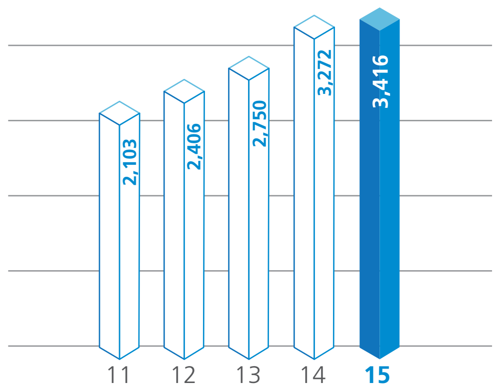
General Manager — *Property Management Division*

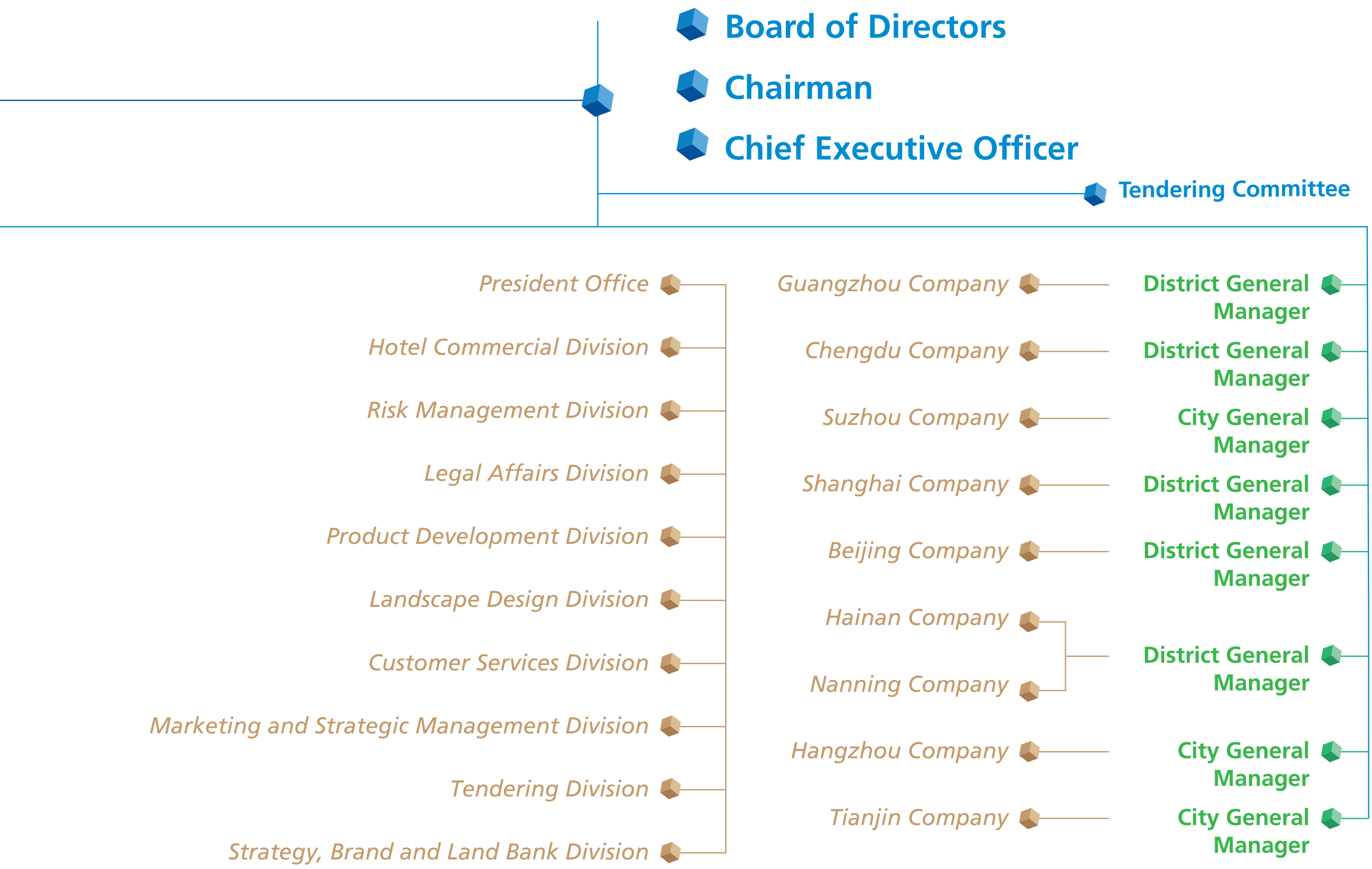
Financial Highlights

Revenue
(in RMB Million)



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





	Year Ended 31 December				
	2015 **RMB'000**	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
CONSOLIDATED RESULTS					
Revenue	**8,339,756**	10,465,788	9,468,002	9,676,422	10,122,595
Profit attributable to owners of the Company	**3,416,248**	3,272,225	2,749,769	2,406,368	2,103,368
Earnings per share attributable to owners of the Company (RMB cents) – Basic and diluted	**115**	112	95	83	73
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**79,681,417**	71,547,015	61,590,384	48,864,460	44,586,303
Total liabilities	**57,322,501**	51,110,599	43,748,222	33,511,081	30,893,285

Honours and Awards

Month	Awards	Awarding Institution	Project/Branch
January 2016	Most Culturally-influential Brand Enterprise	Yangcheng Evening News (Group)	The Group
2015	One of the Top 5 Real Estate Enterprises with Strong Comprehensive Strength in South China	China Index Academy	The Group
2015	Property Brand with Highest Commercial Value of the Year	www.focus.cn	The Group
2015	China Real Estate & Home Design Championship — Best Reputation Award	Netease House, Guangdong Real Estate Chamber of Commerce	The Group
2015	2015 Most Favourite Hotel of Celebrities in China	Mag Premier Trip	W Hotel Guangzhou
December 2015	Top 10 Real Estate Enterprises in Guangzhou by Market Shares	China Index Academy	The Group
December 2015	Outstanding Enterprise Award for Corporate Social Responsibility	www.xinhuanet.com	The Group
December 2015	Property with Best Quality in Beijing	The Mirror	Beijing Apex/ Beijing Company
December 2015	Best-selling Property in the Region	www.focus.cn	Beijing Apex/ Beijing Company
November 2015	FZG Top Ranking Chart in China (Beijing) — Brand Developer	FZG360.com	Beijing Company
May 2015	Financial Rewards	Wuzhong District Government	Suzhou Kaiwei Real Estate Development Limited
March 2015	Advanced Units for Use and Management of Civil Defense Works	Kunshan Municipal Civil Defense Bureau	The Up Blue Town/ Suzhou Company
March 2015	Award for Tax Contribution	Wuzhong District Finance Bureau	Suzhou Kaiyu Real Estate Development Limited
March 2015	Award for Tax Contribution	Wuzhong District Finance Bureau	Suzhou Kaiwei Real Estate Development Limited
March 2015	Award for Tax Contribution	Wuzhong District Finance Bureau	Suzhou Shengjing Real Estate Development Limited

Month	Awards	Awarding Institution	Project/Branch
February 2015	2015 Property with Best Value for Investment	www.focus.cn	Moon Bay Project/Hainan Company
February 2015	Award for Tax Contribution	Xiangcheng District Government	Suzhou Hejing Real Estate Development Limited
December 2014	Winning Project	Town Property Management Office	Suzhou Apex/ Suzhou Company
December 2014	Project with Excellent Management	Xiangcheng District Housing and Urban-Rural Construction Bureau	The City Island/ Suzhou Company

Chairman's Statement

"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."

Dear Shareholders:

I am pleased to present the annual results of the Group for the year ended 31 December 2015. For the year under review, the Group recorded total revenue of approximately RMB8,339.8 million. Profit attributable to owners of the Company was approximately RMB3,416.2 million, representing an increase of 4.4% from the same period of the previous year. Earnings per share attributable to owners of the Company amounted to RMB115 cents.

1) Stable and optimal exposure in tier-one and tier-two cities

Benefiting from a series of favourable policies, the property market gradually recovered from its adjustments phase in 2015. As a result, the transaction volumes and average transaction prices went up in a number of cities, however city divergence and inventory de-stocking process remained.

On the policy front, the central government lowered the deposit reserve ratio and benchmark RMB lending and deposit interest rates through 5 consecutive reductions, relaxed the down-payment requirement for the second property purchase to no less than 40%, and reduced or exempted individual income tax for personal housing transaction during the year to lower property purchase costs and effectively drive up market demand. Meanwhile, local governments adjusted policies selectively and boosted market recovery through a variety of measures, such as financial subsidies, tax reduction/exemption and the easing of foreign capital access to the property market, as 41 cities (other than Beijing, Shanghai, Guangzhou, Shenzhen and Sanya) cancelled their local Home Purchase Restrictions.

Thanks to the favourable policies during the year, upgrading demands picked up significantly in transaction volumes. The Group adjusted its product mix according to its research-based product positioning and offered mainly end-user products with GFA of 89–120 sq.m., while gradually increasing the supply of upgrader products with GFA of over 150 sq.m to meet market demands.

The Group remained focus on tier-one and higher tier-two cities, seeking to identify further demands in regions and cities already covered by the Group. Six new projects, located in Guangzhou, Tianjin, Hangzhou and Nanjing, were launched during the year. Abiding by our strategic development over the years, we have a total of 56 projects in 11 cities, with more than two-thirds of our saleable resources from tier-one cities. In terms of sales contributions, tier-one cities contributed around 60% of the Group's attributable pre-sales for 2015.

Over the years, the Group has sustained high levels of gross and net profit margins well exceeding the industry average. Gross profit margin and net profit margin for 2015 amounted to 36.1% and 40.9%, respectively. In a year where the property market experienced recovery from a declining trend while the pressure of excessive inventory had yet to be alleviated, the Group's stable profit margin was mainly attributable to: 1) effective control of land costs through stringent profit estimation on target sites at the land bidding; 2) the setting of reasonable selling prices based on market feedback, product positioning and customers' expectation; 3) Proper adjustment of inventory level by balancing construction and new launch timing based on existing inventory levels of various regions.

2) Timely replenishment of land bank to fulfill development needs

In 2015, the land market saw polarised developments following the property market recovery. Tier-one cities and higher tier-two cities benefitted from favourable policies and the return of several leading property developers to these cities, where numerous "land king" emerged as a result of less land supply and increased demand. Fervent land transactions were noted in cities like Beijing, Shanghai, Guangzhou, Nanjing and Hangzhou, where successive record-high total land prices and per square meter land costs were reported. According to statistics for the first 11 months of 2015, the number of land sites transacted declined to various degrees, as compared to the previous year, in 300 cities, while a record-high amount of land premium was recorded in November. The momentum was particularly strong in tier-one cities and higher tier-two cities.

Following planned developments over the years, the Group has now established a strategic framework across the nation with Beijing, Shanghai and Guangzhou as core cities complemented by high-end tier-two cities such as Suzhou, Hangzhou, Nanjing, Tianjin, Chengdu and Nanning. As at 31 December 2015, the Group had a land bank with an attributable GFA of more than 10 million sq.m., supported by reasonable number of projects in each city.

The Group continued to adopt a prudent land acquisition strategy during the year. We closely monitored changes in the land market and opportunistically acquired premium sites instead of chasing for "land king", thereby containing land costs at a reasonable level. Given the prevailing high land premium, project stake acquisition and joint-force land bidding became popular approaches to land acquisitions. The Group acquired land sites in Nanjing and Foshan in March and July, respectively, through project-level merger and acquisition, while also expanding the scope of cooperation with other parties through the joint acquisition of a residential land site with a JV partner in Hangzhou in December.

3) Deployment of commercial projects as long-term assets

The Group currently operates one investment property and several hotels in Guangzhou and Hangzhou, including IFP and W Hotel Guangzhou in the Pearl River New Town, Sheraton Guangzhou Huadu Resort, Four Points by Sheraton Guangzhou, Dongpu and two self-operating The Mulian Hotels in Guangzhou and Hangzhou. After years of dedicated operations, these properties are already on the right track and generate year-on-year revenue growth.

The Group believes that commercial projects, as assets held for long term development, will yield stable revenue on an ongoing basis as compared to pure projects sales. Meanwhile, the pace of development for traditional shopping centers has slowed down owing to the e-commerce trend, which offers fast and convenient purchase. In view of this, the Group has been committed to the development of commercial projects with special facilities in recent years, in an effort to provide unique experience embodying family entertainment and leisure enjoyment, such that it would be readily distinguished from the mere purchase of goods from online or e-commerce shopping.

The Group owns various shopping centers in Xinjiangwan in Shanghai, Pearl River New Town in Guangzhou, Chengdu and Suzhou, which are currently under construction. The Group will build boutique shopping centers with different features specifically tailor designed based on local markets. For example, "U Fun" in Shanghai will be built into a green shopping destination within the city, while Tian Hui Plaza of Pearl River New Town in Guangzhou will be positioned as a shopping plaza for luxury items. The preliminary leasing rate of "U Fun," located in Xinjiangwan of Shanghai, has been satisfactory. Upon their respective opening in a few years' time, the shopping centers are set to generate stable and long-term rental revenue for the Group, providing a strong buffer against volatility in the market.

4) Timely reinforcement of financial capital to improve our capital structure

A sound financial system provides a strong backbone to the development of the company. In persistent adherence to a prudent financial strategy, the Group pays close attention to changes in the domestic and international capital markets and launches fundraising exercises based on the requirements of its business development.

During the year, restrictions against overseas-listed property developers were relaxed in the domestic bond market, where favourable interest rates were significantly lower than their overseas counterparts. The Group captured on the window of policy changes and issued 3+3-year bonds with an amount of RMB2,500 million and a coupon rate of 4.94%, plus a 5+2-year bond with an amount of RMB800 million and a coupon rate of 6.15% in December through Guangzhou Hejing Real Estate Development Limited, a wholly-owned domestic subsidiary of the Group. Through this debt financing exercise, the Group has initiated its access to the domestic corporate bond market thereby gradually reducing its average borrowing costs.

5) Outlook

Looking to 2016, inventory destocking is expected to remain a major theme for the property market. Easing in the government's industrial and monetary policies will continue, which will help to consolidate the property market for stable and positive growth and facilitate the development of a mechanism for sustainable market efficiency in the long run. The Group is of the view that high land prices and low inventory levels will continue to drive up property prices in tier-one and certain tier-two cities. Properties catered to the needs of end-users, comprising first-time homebuyers and upgrading homebuyers, will continue to prevail.

The Group will continue to launch suitable products that meet market demands, in order to maintain the profit margins. In the meantime, strict control will be exercised over project progress and product quality to ensure that products will be launched timely to meet our annual sales targets.

The Group will also be committed to improve and enhance the efficiency of project operations and the application of e-office facilities, such as the WeChat OA platform and the ERP system upgrade, to speed up our work progress and ensure quality deliverables.

6) Appreciation

On behalf of the Group and the Board, I would like to extend grateful appreciation to all shareholders, investors, partners and customers for their longstanding support and trust. I must also thank our directors, management and staff, who have worked and grown together with the Group and served it with integrity and dedication. I have every faith that the Group will continue to build better homes for a greater spectrum of customers in firm adherence to our mission: to build home with heart and create future with aspiration.

Kong Jian Min
Chairman

19 February 2016

Management Discussion and Analysis

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds, net of business 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 RMB8,339.8 million in 2015, representing a decrease of 20.3% from approximately RMB10,465.8 million in 2014.

In 2015, the revenue generated from property development, property investment, hotel operation and property management were approximately RMB7,563.2 million, RMB154.4 million, RMB367.1 million and RMB255.1 million, respectively.

Property development

Revenue generated from property development decreased by 22.6% to approximately RMB7,563.2 million in 2015 from approximately RMB9,770.4 million in 2014, primarily due to a decrease in the total gross floor area ("GFA") delivered to 551,525 sq.m. in 2015 from 844,938 sq.m. in 2014. The effect of decrease in total GFA delivered is partially offset by an increase in recognised average selling price ("ASP") to RMB13,713 per sq.m. in 2015 from RMB11,563 per sq.m. in 2014. The increase in the recognised ASP was principally attributable to an increase in the delivery of commercial properties with higher ASP in 2015.

Property investment

Revenue generated from property investment increased by 5.0% to approximately RMB154.4 million in 2015 from approximately RMB147.0 million in 2014.

Hotel operation

Revenue generated from hotel operation increased by 10.5% to approximately RMB367.1 million in 2015 from approximately RMB332.2 million in 2014, primarily attributable to an increase in occupancy rate of our W

Hotel in Guangzhou. In addition, the Mulian Hangzhou commenced soft launch in September 2015, which also contributed to the revenue of hotel operation.

Property management

Revenue generated from property management increased by 18.0% to approximately RMB255.1 million in 2015 from approximately RMB216.2 million in 2014, primarily attributable to an increase in the number of properties under management.

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 decreased by 21.0% to approximately RMB5,330.3 million in 2015 from approximately RMB6,748.2 million in 2014, mainly due to the decrease in total GFA delivered in sales of properties.

Land cost per sq.m. increased from RMB2,604 in 2014 to RMB3,096 in 2015, due to the change in delivery portfolio with different city mix as compared with that in 2014.

Construction cost per sq.m. increased from RMB3,964 in 2014 to RMB4,490 in 2015, primarily attributable to an increase in the proportion of serviced apartments and offices delivered with relatively higher construction and renovation costs.

Gross Profit

Gross profit of the Group decreased by 19.0% to approximately RMB3,009.4 million in 2015 from approximately RMB3,717.6 million in 2014. The decrease of gross profit was principally due to the decrease in the total revenue and total GFA delivered in 2015. The Group reported a gross profit margin of 36.1% for 2015 as compared with 35.5% for 2014.

Other Income and Gains, Net

Other income and gains increased by 4.9% to approximately RMB103.1 million in 2015 from approximately RMB98.3 million in 2014, mainly comprising interest income of approximately RMB40.9 million.

Selling and Marketing Expenses

Selling and marketing expenses of the Group decreased by 7.4% to approximately RMB276.5 million in 2015 from approximately RMB298.5 million in 2014, mainly due to a decrease in sales commission, which was due to the decrease in revenue generated from sales of properties during the year.

Administrative Expenses

Administrative expenses of the Group slightly decreased by 2.5% to approximately RMB774.7 million in 2015 from approximately RMB794.2 million in 2014.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB30.7 million in 2015 (2014: approximately RMB313.0 million). Other operating expenses of the Group in 2014 mainly comprised 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 RMB709.7 million for 2015 (2014: approximately RMB699.1 million), mainly related to various leaseable commercial properties in various regions. The fair value gains attributable to those leaseable commercial properties, including Pudong Project in Shanghai and Global Metropolitan Plaza in Guangzhou, were approximately RMB626.6 million for 2015. 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 in Guangzhou and Amazing Bay in Shanghai.

Finance Costs

Finance costs of the Group being approximately RMB10.5 million in 2015 (2014: approximately RMB6.1 million), were related to the borrowing costs on certain general corporate loans 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 9.3% to approximately RMB1,249.2 million in 2015 from approximately RMB1,377.4 million in 2014, primarily due to a decrease in the provision for CIT in 2015.

Profit for the Year

The Group reported profit for the year of approximately RMB3,413.2 million for 2015 (2014: approximately RMB3,268.1 million). Net profit margin increased to 40.9% for 2015 from 31.2% for 2014, as a result of the cumulative effect of the foregoing factors.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2015, the carrying amounts of the Group's cash and bank balances were approximately RMB12,566.1 million (31 December 2014: approximately RMB10,871.1 million).

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2015, the carrying amount of the restricted cash was approximately RMB1,619.6 million (31 December 2014: approximately RMB776.9 million).

Borrowings and Charges on the Group's Assets

As at 31 December 2015, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB14,112.5 million, RMB10,617.7 million and RMB3,267.4 million respectively. Amongst the bank and other loans, approximately RMB3,982.6 million will be repayable within 1 year, approximately RMB7,735.6 million will be repayable between 2 and 5 years and approximately RMB2,394.3 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 2015, the Group's bank and other loans of approximately RMB14,007.7 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 RMB21,128.8 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$2,037.5 million and US$8.3 million as at 31 December 2015 which were denominated in Hong Kong dollar and U.S. 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 RMB1,550.0 million which were charged at fixed interest rates as at 31 December 2015. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2015. The Group's domestic corporate bonds were denominated in RMB and charged at fixed interest rates as at 31 December 2015.

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 2015, the gearing ratio was 69.0% (31 December 2014: 66.8%).

Risk of Exchange Rate Fluctuation

The Group mainly operates in the PRC, so most of its revenues and expenses are measured 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 2015, 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 2015, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB5,608.9 million (31 December 2014: approximately RMB5,103.2 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 2015 and 2014 for the guarantees.

(ii) As at 31 December 2015 and 2014, the Group had provided guarantees in respect of certain bank loans for joint ventures.

(iii) As at 31 December 2014, the Group had provided a guarantee in respect of a bank loan for an associate.

Employees and Emolument Policies

As at 31 December 2015, the Group employed a total of approximately 5,360 employees. The total staff costs incurred was approximately RMB605.7 million during the financial year ended 31 December 2015. 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.

During the year ended 31 December 2015, total of 1,295,750 share options were exercised and a total of 4,615,250 share options were exercisable. No share options were granted, cancelled or lapsed as at the date of approval of this annual report. Details of share option movement for the year ended 31 December 2015 were stated in this annual report.

Market Review

In 2015, the central government consistently emphasized on boosting consumption and inventory destocking, to drive recovery of the property market through policy-easing. Transaction volumes and prices have both been steadily improving since second quarter of the year. The transaction volume for the period from September to December grew by close to 40% year-on-year, reflecting the effect of favourable policies.

Since the end of 2014, the central bank has reduced benchmark interest rates and deposit reserve ratio for 6 and 5 times, respectively, whereby the benchmark lending interest rate for one to three year period has been lowered to 4.75% from 6.15%, representing a 22.8% reduction. The provident fund loan interest rate has also been reduced to a historical low.

Meanwhile, on 30 March 2015, the central bank announced cutting down-payment requirement to no less than 40% for second property purchase for households who have not yet settled mortgage of the first property. The down-payment ratio for purchases using provident fund loans was further adjusted to 20–30%.

Starting from 8 October 2015, cross-city provident fund loans have also been made available throughout the nation, while asset securitisation in respect of individual housing loans drawn from the housing provident fund was introduced in cities with suitable conditions. The aforesaid easing measures have effectively driven the recovery of the property market and boosted property purchases by first-time homebuyers as well as upgraders.

Meanwhile, measures adopted by local governments, such as shortening the business tax exemption period for individual housing property transfers to 2 years, second child policy, and the easing of restrictions against foreign investment in the property market, have further enhanced potential buying powers and facilitated healthy and stable development of the market.

Business Review

During the year, the Group planned its project construction in close tandem with policy changes and leveraged on the positive impact of favourable policies to expedite sales and inventory clearance. Approximately 60% of the pre-sales for the full year was derived from the three tier-one cities, namely, Beijing, Shanghai and Guangzhou, while the remaining 40% was mostly contributed from core second-tier cities including Tianjin, Suzhou, Nanjing, Hangzhou, Chengdu and Nanning.

The Group launched 6 brand new projects during the year, including The Horizon in Nansha of Guangzhou, Boulevard Terrace I in Tianjin, Shine City in Nanjing, Essence of City in Guangzhou, Boulevard Terrace II in Tianjin and The More in Hangzhou. These projects offered primarily end-user products with GFA of 89–120 sq.m., although the supply of products with GFA of 150 sq.m. or above designed for upgrading buyers also gradually increased.

The More is located in Hangzhou Future Science City. At its initial launch in August 2015, residential units with 3–4 bedrooms with GFA of 89–127 sq.m. were offered to meet the needs of both first-time and upgrading homebuyers. Essence of City in Zengcheng of Guangzhou, was launched in August 2015, featured a variety of product types comprising villas with GFA of 141–278 sq.m. and fitted residential units with GFA of 87–125 sq.m.

In 2015, tier-one and tier-two cities were the first to bounce back against policy-easing. Land supply in tier-one and tier-two cities was tight as property developers returned to these cities, giving rise to massive "land king" transactions. Abiding by a prudent land policy, the Group acquired premium land sites through project merger and acquisition or joint bidding with third parties in the public market and refrained from chasing for "land king". In terms of the choice of sites, the Group focused on cities where it had already established its presence, and then on first and second tier cities with stronger performances.

During the year, the Group acquired Shine City in Nanjing and 30% equity interests in a land site in Foshan to enhance its presence in East and South China. Towards the end of the year, we acquired the largest residential site in Hangzhou Future Science City through public auction in cooperation with a JV partner. The project is located close to La Bali, our existing project, and is expected to generate synergy with La Bali to enhance our reputation and presence in Hangzhou. The Group has added approximately 1,022,000 sq.m. to its attributable GFA through land acquisition in the year.

As at 31 December 2015, the Group owned 56 projects located in 11 cities across China with an attributable land bank of approximately 10.1 million sq.m., which should be sufficient to meet the requirements of the Group's development in the coming 4–5 years.

The Group adjusted the progress of construction and launch schedules according to the sales conditions of every projects. Timely supply was made for fast-selling projects, whereas new construction was restrained for slow-moving projects, ensuring reasonable profit margins instead of blindly pursuing high sales volumes. For the year, sales were generally stable with moderate growth, while product prices were continuously rising. In order to increase the exposure of our projects, the Group has been tapping the WeChat platform to provide information of its property developments for marketing and promotion purposes. The "WeChat Customer Service" has also been introduced, whereby queries from customers and owners could be collected and dealt with in a timely manner to enhance the reputation of the Group.

The Group established the "KWG Club" (合景會) during the year with membership open to current and prospective owners and others who are interested in the development of KWG. We plan to provide advanced services by integrating multiple resources with the aid of innovative technologies. Currently, an initial database has been built and concessionary benefits, such as property purchase discounts, property services, discounts at our hotels and shopping malls, will be gradually offered to customers so as to consolidate the customer base and enhance the recognition and reputation of the Group through customers' feedback.

In terms of commercial properties, the Group focuses on developments in the core districts of tier-one and tier-two cities, such as "U Fun" in Xinjiangwan, Shanghai, "M • Cube" in Chong Wen Men, Beijing, Tian Hui Plaza in Pearl River New Town, Guangzhou and shopping malls in Chengdu and Suzhou, all of which are benefited from their outstanding geographic locations. After business model research over the past two years since the commercial projects' launch ceremony in early 2014, the Group has gradually built a high-calibre team with the aim of introducing unique experience to consumers through featured shopping centers. For example, "M • Cube" in Beijing is designed to appeal to young consumers with its fashionable and trendy designs inside and outside the building. Elsewhere, "U Fun" in Shanghai provides the city with its first green shopping park comprising a diversified range of attractions such as international fast fashion, fine dining, boutique supermarket and children's playground. With the successive launches of these commercial projects, the Group believes these projects will generate stable rental revenue in the years to come.

On the financial side, the Group persisted with a prudent financial strategy and made comparisons between the domestic and overseas capital markets in terms of their advantages and disadvantages before conducting any financing exercise. The Group capitalised on the window of policy changes and issued domestic corporate bonds with an aggregate amount of RMB3,300 million in December through Guangzhou Hejing Real Estate Development Limited, a wholly-owned subsidiary of the Group. The new issuance will enhance the Group's financial position to effectively improve its structure and lower borrowing costs.

Investment Properties and Hotels

1) Hotels

As at 31 December 2015, the Group has five hotels in operation: W Hotel Guangzhou, a high-end fashionable hotel at the centre of the Pearl River New Town; Four Points by Sheraton Guangzhou, Dongpu in downtown Guangzhou specialised in business banquets; Sheraton Guangzhou Huadu Resort with splendid lake views; and The Mulian, a proprietary boutique hotel brand with operations in Pearl River New Town, Guangzhou and Future Science City, Hangzhou.

All of our hotels own unique features and appeal to customers by collaborating with famous restaurants to offer benefits and concessions at appropriate times. Meanwhile, improvements of various services are being made based on the feedback from various parties, seeking to sustain and broaden our customer base and enhance the reputation of these hotels.

2) Completed Investment Properties Available for Lease

On the back of its excellent location, comprehensive office facilities, attentive property management services and reasonable rental rates, IFP, the Group's investment property, has gained wide recognition from tenants, especially domestic and international financial institutions, since its establishment in the Pearl River New Town in 2007. As at 31 December 2015, the occupancy rate of IFP stood at 96%. Major tenants included the private bank departments of Bank of China, Industrial and Commercial Bank of China, Standard Chartered Bank and nine other foreign banks.

For the year ended 31 December 2015, revenue of the Group from its leasing of office premises and retail properties amounted to approximately RMB154.4 million (2014: approximately RMB147.0 million).

Business Outlook

In 2016, the central government is expected to continue to pursue inventory destocking to ensure stable development in the property market. As a result, the property markets in tier-one and tier-two cities will continue to benefit from various supportive measures.

The Group expects to launch brand new projects in tier-one and tier-two cities in 2016, such as Beijing Tongzhou I&II, Guangxi International Finance Place, Guangzhou Finance City, Shanghai Pudong Project and Hangzhou Science City IV. The new projects will comprise a wide range of products, such as residential, serviced apartments, offices and retail shops, to fulfill the needs from different customers. The Group will also continue to launch new batches from existing projects in different regions, such as The Summit, Chengdu Sky Ville, La Bali and The More in Hangzhou and Oriental Bund in Foshan, make timely replenishment to its saleable resources and accelerate inventory destocking.

The Group will also continue to enhance its operational capabilities and improve the overall standards of its operations, such that it will be well-positioned to seize growth opportunities and continue with a stable, quality development.

Overview of the Group's Property Development

As at 31 December 2015, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing and Zhengzhou.

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 / villas / serviced apartments / office / retail	1,847	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	91	33.3
4.	Oriental Bund	Guangzhou	Residential / serviced apartments / office / retail	1,362	50
5.	The Star (included The Regent and Biological Island II)	Guangzhou	Serviced apartments / office / retail	199	100
6.	Top of World	Guangzhou	Villas / serviced apartments / office / hotel / retail	546	100
7.	The Eden	Guangzhou	Residential / retail	70	50
8.	Zengcheng Gua Lv Lake	Guangzhou	Villas / hotel	43	100
9.	Essence of City	Guangzhou	Residential / villas / retail	344	100
10.	Guangzhou Finance City Project	Guangzhou	Serviced apartments / office / retail	102	33.3
11.	Guangzhou Pazhou Project	Guangzhou	Office / retail	50	50
12.	The Horizon	Guangzhou	Residential / retail	158	35
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 apartments	80	100
17.	The Mulian Guangzhou	Guangzhou	Hotel	8	100
18.	The Sapphire	Suzhou	Residential / serviced apartments / hotel / retail	111	100
19.	Suzhou Apex	Suzhou	Residential / serviced apartments / hotel / retail	115	90
20.	Suzhou Emerald	Suzhou	Residential / retail	13	100
21.	Leader Plaza	Suzhou	Serviced apartments / office / retail	21	51
22.	Wan Hui Plaza	Suzhou	Office / retail	60	100
23.	Suzhou Jade Garden	Suzhou	Residential / retail	10	100
24.	The Vision of the World	Chengdu	Residential / serviced apartments / retail	55	100
25.	Chengdu Cosmos	Chengdu	Residential / serviced apartments / office / hotel / retail	460	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
26.	Chengdu Sky Ville	Chengdu	Residential / serviced apartments / office / hotel / retail	358	50
27.	Fragrant Seasons	Beijing	Residential / villas / serviced apartments / retail	25	100
28.	La Villa	Beijing	Residential / retail	33	50
29.	Beijing Apex	Beijing	Residential / villas / serviced apartments / office / retail	77	50
30.	M • Cube (formerly called Chong Wen Men)	Beijing	Retail	16	100
31.	Summer Terrace	Beijing	Residential / retail	25	100
32.	Beijing Tongzhou I	Beijing	Serviced apartments / office / retail	128	100
33.	Beijing Tongzhou II	Beijing	Serviced apartments / office / retail	125	100
34.	Rose and Ginkgo Mansion	Beijing	Residential / villas	28	33
35.	Pearl Coast	Hainan	Villas / residential / hotel	230	100
36.	Moon Bay Project	Hainan	Villas / residential / hotel / retail	443	100
37.	Pudong Project	Shanghai	Office / retail	78	100
38.	The Core of Center	Shanghai	Residential / serviced apartments / office / retail	46	50
39.	Shanghai Apex	Shanghai	Residential / serviced apartments / hotel / retail	68	100
40.	Shanghai Sapphire	Shanghai	Serviced apartments / hotel / retail	65	100
41.	Shanghai Emerald	Shanghai	Residential / retail	2	100
42.	Amazing Bay	Shanghai	Residential / serviced apartments / hotel / office / retail	79	50
43.	Vision of the World	Shanghai	Residential / serviced apartments / retail	197	100
44.	Jinnan New Town	Tianjin	Residential / villas / serviced apartments / retail	636	25
45.	Boulevard Terrace I	Tianjin	Residential / retail	55	100
46.	Boulevard Terrace II	Tianjin	Residential / villas / retail	32	100
47.	The Core of Center	Nanning	Residential / villas / office / retail	489	87
48.	Guangxi International Finance Place	Nanning	Office / retail	62	87
49.	Guangxi Top of World	Nanning	Residential / villas / hotel / retail	455	87
50.	Hangzhou Jade Garden	Hangzhou	Residential	47	100
51.	Hangzhou La Bali	Hangzhou	Residential / villas	35	100
52.	The More	Hangzhou	Residential	106	100
53.	The Mulian Hangzhou	Hangzhou	Hotel / retail	18	100
54.	Hangzhou Science City IV	Hangzhou	Residential	109	51
55.	Shine City	Nanjing	Residential / office / retail	73	50
56.	Henan Zhengzhou Project	Zhengzhou	Residential / retail	29	100

Directors and Senior Management's Profile

Director

Executive Directors

Kong Jian Min, aged 48, 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 21 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 45, 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 21 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 all subsidiaries incorporated in the BVI, various subsidiaries incorporated in the PRC and two subsidiaries incorporated in Hong Kong.

Kong Jian Nan, aged 50, 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 all subsidiaries incorporated in the BVI and various subsidiaries incorporated in the PRC and three subsidiaries incorporated in Hong Kong.

Li Jian Ming, aged 48, 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 one of the subsidiaries incorporated in the PRC.

Tsui Kam Tim, aged 47, 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 various subsidiaries incorporated in Hong Kong.

He Wei Zhi, aged 48, is an executive director of the Company, a vice president and a general manager of the South-western China region of the Group. Mr. He graduated from Guangzhou University majoring in hotel management. He joined the Group in 1995 and had held the positions of manager and deputy general manager of the sales department. Since his joining of the Group, he has been responsible for project planning, design and sales planning work and the overall operations and management of the South-western China region of the Group, gaining extensive experience in property market. Mr. He was appointed as an executive director of the Company in February 2009 and is mainly responsible for the management of sales planning, product development, design and planning, property management, customer services, strategy, brand and land bank of the Group. Saved as disclosed above, Mr. He is also a director of various subsidiaries incorporated in the PRC.

Independent Non-Executive Directors

Lee Ka Sze, Carmelo JP, aged 55, 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 Ping An Insurance (Group) Company of China, Ltd and Esprit Holdings Limited; and a non-executive director of Y.T. Realty Group Limited, 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. He was a non-executive director of The Cross-Harbour (Holdings) Limited from September 2004 to December 2012. Mr. Lee has been the chairman of the Listing Committee of the Stock Exchange since 2012 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. He is also a member of SFC Dual Filing Advisory Group of Securities and Futures Commission, a member of the SFC (HKEC Listing) Committee and a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants.

Tam Chun Fai, aged 53, 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 30 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 66, 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 19 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 48, 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.

Lin Kai Ping, aged 42, 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 23 years of extensive working experiences in property management.

Luo Qing, aged 51, 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 38, 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 51, 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 27 years of experience in designing large-scaled integrated architecture and operational management.

Chen Guang Chuan, aged 47, 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 37, 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.

Xu Wei Guo, aged 41, is the general manager of the Southern China district and the general manager of the Commercial Property Division of the Group. Mr. Xu graduated from Tsing Hua University with a Master's degree in Architecture. Mr. Xu joined the Group in 3 September 2012 and is currently primarily responsible for the overall management and operation of the Southern China district and the Commercial Property Division of the Group. Mr. Xu worked in a sizable property joint venture company before and has more than 11 years of experience in property management.

Cai Feng Jia, aged 46, 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.

Corporate Governance Report

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 2015, the Board consists of nine members, including six 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 and Mr. He Wei Zhi 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 24 to 26. 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 2015, the Board held twelve meetings, 8 of which was for the purpose of share allotment approval immediately after the various staffs had exercised the share options under the share option scheme adopted on 11 June 2007 during the year of 2015. 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 2014 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 auditors 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 2014 and the condensed consolidated interim financial information of the Company for the period ended 30 June 2015. 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 2014 AGM are set out as follows:

	Board Meetings		
Directors	**Attended/Number of meeting held**	**Attended/Number of meeting held for the purpose of share allotment approval being share options exercised**	**2014 AGM Attended/Number of meeting held**
Executive Directors			
Kong Jian Min *(Chairman)*	4/4	8/8	1/1
Kong Jian Tao *(Chief Executive Officer)*	4/4	0/8	0/1
Kong Jian Nan	4/4	0/8	0/1
Li Jian Ming	4/4	0/8	0/1
Tsui Kam Tim	4/4	8/8	1/1
He Wei Zhi	4/4	0/8	0/1
Independent Non-Executive Directors			
Lee Ka Sze, Carmelo	4/4	0/8	1/1
Li Bin Hai	4/4	0/8	1/1
Tam Chun Fai	4/4	0/8	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 2015, 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 2015, has undertaken 21 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 2015 is as follows:

Remuneration Bands (RMB)	Number of Individuals
0–1,000,000	1
1,000,001–2,000,000	7
2,000,001–3,000,000	1
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 2015.

Directors' Responsibility for the Financial Statements

The directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2015 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 auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' 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 2015, 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 2014 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2015. 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. The section of "Oversee of Risk Management Functions" was adopted into the audit committee's terms of reference and approved by the Board on 30 October 2015 under Amendments to the Main Board Listing Rules, Appendix 14 with effect from 1 January 2016.

Attendance of individual members of the audit committee at meetings for the year ended 31 December 2015 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 2015, the external auditors' 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 RMB550,000, 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 individual executive directors, non-executive directors and members of senior management to the Board. The remuneration committee consists three members as at 31 December 2015, of which one executive director being Mr. Kong Jian Min and two are independent non-executive directors being Mr. Tam Chun Fai (the Chairman of the remuneration committee) and Mr. Li Bin Hai. The Board expects the remuneration committee to exercise independent judgment and ensures that executive directors do not participate in the determination of their own remuneration.

One remuneration committee meeting was held on 23 March 2015. 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 2015 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, assessing the independence of the independent non-executive directors and making recommendation to the Board on selection of candidates for directorships. As at 31 December 2015, the nomination committee comprises an executive director, namely Mr. Kong Jian Min (the Chairman of the nomination committee), and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Li Bin Hai.

One nomination committee meeting was held on 23 March 2015. 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 2015 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

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 2015. 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 auditors 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 purpose 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 2015, there is no any significant change in the constitutional documents of the Company.

Quality of the Working Conditions

The Working Conditions

The Group determines employees' remuneration on the basis of their performance, professional experience and prevailing market rates. Employees' remuneration packages include basic salaries and performance-related bonuses. Performance-related bonuses are determined and allocated on the basis of overall assessment against key performance appraisal benchmarks such as the profit amount, sales amount, collected sales amount, key segment completion ratio and finance amount, etc, after a total bonus amount is determined based on the extent to which the Group's profit target is completed.

In accordance with relevant laws and regulations of China, our employees have participated in a social security regime established and managed by government authorities. The Group pays insurance premiums on behalf of its employees for social insurance schemes such as basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance. The Group also makes contributions to the housing provident fund on behalf of its employees.

Development and Training

The Group adopts and implements a policy for human resources conducive to its sustainable development. Under this policy, professional ethics and expertise are important criteria for the employment and promotion of the staff members. Solid measures are being taken to enhance staff training and continuous learning. A rotation and exchange regime has been established to train specific personnel for all-rounded knowledge and skill sets, with a view to constant improvements in staff quality. Career opportunities for existing staff are emphasised when we seek to select outstanding personnel for appointments. The ongoing train-up of managers with high professional standards, passion and commitment remains an important mission for the Group's development.

During the past year, the Group established the "KWG Network of Business College" to provide portable training programmes for employees at various levels:

KWG Network of Business College — Introduction

Talents lies at the heart of an enterprise's competitive strengths and provide the driving force for its ongoing development. The development and grooming of talents has always been a priority for the Company. In addition to recruiting, grooming and attracting the very best local talents to join. In recent years, the Company has successively launched the Senior Management Training Programme, Engineering Elite Training Programme, Management Trainee Programme and Core Talents Training Programme for KWG. Meanwhile, in view of the vast number of projects undertaken by the Company and the dispersed deployment of its personnel, the Company has been committed to the building of a network platform that enables online learning and resolving difficulties for employees posted elsewhere to receive training. KWG Network of Business College is an important online learning platform for employees that has not only incorporated an e-learning system, but has also fostered a very strong "online learning system" by joining forces with www.chinaceot.com, a renowned online business college in China. KWG Network of Business College not only provides materials in video, PPT, PDF and Word for more than 10,000 courses covering strategic management, corporate operation, art of leadership and business etiquette, which are conveniently accessible by KWG staff via the Group portal and outside networks, but also offers training management, such as management, progress tracking, assessment and training hour statistics for both online learning and offline training.

KWG Network of Business College is a learning institute for all KWG people and an important platform for grooming KWG talents. Each KWG employee is encouraged to seek self-improvement, development and mutual growth through KWG Network of Business College, so that could work together to build KWG into a splendid and magnificent company.

Curriculum

				Essential qualities of an all-rounded employee					Job-specific skills			
Capacity	**Training course**	**Compulsory**	**Elective**	**Ability to integrate resources**	**Excellence in execution**	**Team work**	**Progressive-minded learning**	**Customer-oriented mentality**	**Finance**	**Marketing**	**Branding**	**Leadership**
Senior personnel	Corporate culture and experience	√				√	√					
	Efficient execution	√			√		√					
	Competency-based structured interviews (third eye)		√	√								
	Genetic business code for growth — a strategy	√		√			√					
	Chinese-style people-oriented management — perspectives from the *Analects*		√	√								√
	The tactics of Master Gui Gu and the CEO	√		√								√
	Leverages that propel results growth		√	√				√			√	
	A manager's approach to staff motivation	√		√		√						√
	The winner-takes-all business philosophy — from the CEO's practical guide		√			√						
Other employees	A manager's approach to team leadership	√		√								√
	HR administration for department managers	√		√	√		√					
	Enhancing the competency of intermediary managers	√		√	√		√					√
	Fostering an efficient team	√				√						
	Stress management		√		√							
	How to conduct crisis management PR		√		√		√				√	
Junior staff	Corporate culture and professional development	√				√	√					
	Advanced business negotiator's skills	√			√							
	Ideas and training methods for writing		√				√					
	Financial management for non-financial personnel		√				√		√			
	End-to-end planning and innovative marketing for property development under the new situation	√		√	√		√	√				
	Design of professional image and international business etiquette	√		√	√		√	√				
	Professional behavior and professional competitiveness	√		√	√		√					
	Solutions, not excuses	√		√	√		√					
	Stress management	√		√	√		√					
	Effective communication skills	√		√		√		√				

Labour conventions

The Group stipulates employees' working hours and holidays in accordance with PRC and/or Hong Kong laws and regulations. We also enter into employment contracts with our staff and resolve any labour disputes in accordance with the law.

Community Involvement

KWG Property Donates RMB3.13 Million in Support of the Sun Yat-sen University Talent Recruitment Fund

On 26 January 2016, a presentation ceremony for the KWG Property donation in support of the Sun Yat-sen University Talent Recruitment Fund was held in south campus of Sun Yat-sen University. Ms Chen Shufen, brand director of KWG Property, and Ms Huang Yuansui, deputy secretary of Sun Yat-sen University Educational Development Foundation, attended the donation ceremony. KWG Property will donate RMB3.13 million in support of the Sun Yat-sen University Talent Recruitment Fund to support the development of Sun Yat-sen University so that it could make more contributions in promoting cultural exchanges and all-round social progress.

The Sun Yat-sen University Talent Recruitment Fund was established in 2015. As the part of Sun Yat-sen University talent project, it aims to strengthen the high-level talent team of Sun Yat-sen University and to attract, select and groom academic leaders with advanced international standing.

Being profoundly aware of the correlation between the business development and social responsibilities of an enterprise, KWG Property has always regarded the advancement of community welfare as its undisputable duty, and sound corporate citizenship is an essential part of the KWG culture. Meanwhile, KWG continues to adopt a "people-oriented" management philosophy, and the support for the Sun Yat-sen University Talent Recruitment Fund underlines KWG's emphasis on and prospective outlook for the recruitment, development and realisation of talents. As a responsible enterprise, KWG Property will continue to make more attention on charity utility and social harmony, make efforts to contribute for the social development.

Painting a Colourful World with KWG Art — The KWG Child Drawing Contest 2015

The KWG Child Drawing Contest 2015 commencing on 1 July 2015 under the title of "Painting a Colourful World with KWG Art" had attracted active participation by little painters from all sectors. The contest adopted a "travelling" theme, under which the junior artists produced marvelous works with their boundless imagination, depicting the global travelling experiences of "Kimi" and "Kama", the celebrated KWG mascots.

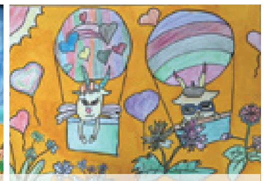
After a 2-month period for submission and online voting, our adjudicators named the winning works on 11 September 2015, selected on the basis of the theme, composition, colour application and count of votes of each submission.

The winners of Class I prizes and the Best Creativity (Nationwide) Prize are shown in the following:

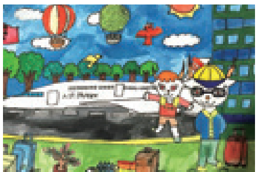
Class I Prize, Pre-school Group

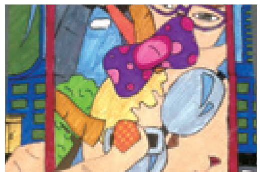

"The Amazing Space Journey of Kimi and Kama" by Huang Yunlan (6)


"Riding with the Sea Birds" by Lu Gaoyang (4)


"A Joyful World" by Cai Yining (6)

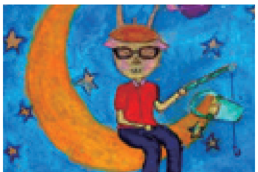
Class I Prize, Children's Group

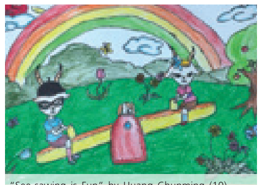

"Summer Holiday 2015" by Sun Qingri (9)


"The Big Trousers" by Xu Jingting (12)


"The Undersea World — Our Secret Garden" by Li Liheng (11)

Best Creativity (Nationwide) Prize


"Waiting for the Next Airship" by Wu Yuchen (9)


"See-sawing is Fun" by Huang Chunming (10)


"Memories" by Peng Zihan (12)

Charity undeterred by obstacles — KWG Art Labs relay for 3 schools

The days 8 to 10 May 2015 saw heavily flooded roads and fields in many areas in Guangdong Province following torrential rain caused by prolonged strong air convections. The inclement weather, however, did not prevent a group of ambassadors of charity dressed in blue from their mission of book delivery to kids in impoverished villages. They were the representatives of KWG staff and residential owners who had pledged to build KWG Art Labs for village school kids.

Station 1: Shangluo Primary School, Conghua

On 8 May 2015, we welcomed the building of the 14th KWG Art Lab. Our ambassadors of charity were up early stock-checking before embarking on the two-hour trip. The weather was not kind and the party were greeted by a roaring thunder upon arrival. Undeterred, the team hurried to move the books and other supplies into the classrooms.

The library is located in a vacant classroom down the corridor on the 2nd floor. After all stuff had been moved upstairs, it's time for the chores. The ladies proved that they were more than queens of kitchens as they had no problem with setting up the desks, while the dads were hands-on assembling the book shelves. The kids also did their parts by helping with whatever they were capable of doing.

Thanks to smart division of labour and organised team work, the desks and book shelves were also set up within moments. The kids needed little instruction to unwrap the packing and swiftly place thousands of books onto the shelves. Before long, the large shelves were filled up with books.

Station 2: Tuhu Primary School, Huizhou

Our trip on the 9 May 2015 was greeted with heavy showers and thundering storm. The charity team had to travel via a longer route after learning that some roads in the village had been flooded. After two and a half hours of rattling ride, the ambassadors finally arrived at Tuhu Primary School in Zuotan Town, Longmen County, Huizhou.

Even after our arrival, the poor weather continued to test the patience and resolve of the team. The rain never stopped during our stay, so chores under the rain it was. The tough guys led the way and all others followed suit to move the supplies into the school area. No one was lagging behind.

Enthusiasm ran high when we worked as a team. The rain could hardly diminish our zeal and effort. Grandpas and infants joined in the relentless effort to furnish and fill up the library. Supplies were moved in, wallpaper was mounted, desks were assembled and books went on stack. Within moments, the empty room became a resourceful library.

Hence the 15th KWG Art Lab was completed. And it's still raining when we left. Maybe it's because our sincere compassion had moved the heavens? It was indeed heartwarming to see the contribution results by ourselves. We had toiled and sweated, but were relieved upon delivery. Nevertheless, the ambassadors of charity knew that their mission was far from being completed, as a host of village school libraries had to be built before reaching the benchmark of 100. They would be setting off again the next day, to the next village school with books, warmth and affection.

Station 3: Jiang'ao Primary School, Qingyuan

On 10 May 2015. It's Mother's Day, and it's also the date for the establishment of the 16th KWG Art Lab. On the day of rest, the moms arrived early with their kids at the assembly point. The kids could hardly hide their emotions on the way, presenting one after another gifts that every mother would find precious — poems, songs, English speeches and duet talks… We had prepared flowers, which kids could claim after performing with their unique talents and give to their dear mom as a token of blessings and appreciation.

The kids have certainly made the right choice going on this mission of library building for a village school with their moms on none other than Mother's Day. The outing has undoubtedly drawn the mother and the child closer, emotionally, and it would long remain in their memories as a most meaningful and beneficial Mother's Day.

KWG charity on World Reading Day

On 23 April 2015 was designated as World Reading Day, the 20th edition of this annual event for the promotion of reading. The world of knowledge is bright as Spring and full of life. The wealth of knowledge is like the ocean: boundless, deep and enormous. Through the KWG Art Lab programme, KWG affords village kids a view of the bright side of life and the daring to dream. Leveraging corporate strengths, we call upon our friends and associates to show their charity and embark on a journey of love and care comprising book donation, book gifting, and library building.

During late Spring/early Summer, a season of vibrant life and hope, the KWG Art Lab programme debuted in the beautiful and resourceful Hainan. Two KWG Art Labs were built in the Autonomous County of Lingshui Li Ethnic Group and Wenchang, the renowned homeland of overseas Chinese, bringing the joy of reading to a multitude of underprivileged kids.

Station 1: Yelin No. 2 Primary School, Autonomous County of Lingshui Li Ethnic Group

The rattling journey and scorching sun did little to slow down the KWG party, as they acted quickly upon arrival to move the books and stationery supplies into the school premises.

With burning enthusiasm as a team, the KWG volunteers finished placing over one thousand books and illustrated readers on the shelves in no time. On seeing the fully packed book shelves, the students of Yelin No. 2 School couldn’t wait to rush into the library and fetch their own favourite copies for a quick read.

As the day coincided with "World Reading Day", while there had also been a call for promoting a "Book-loving China", the school organised a reading and recitation activity to complement the KWG Art Lab founding ceremony, which was attended by the headmaster, all teachers and students of the school and KWG staff representatives. Headmaster Mr. Wu gave a welcome speech and thanked the KWG team for traveling from afar and sending donations. Mr. Wu Aiwu, Vice President (Marketing) of KWG Hainan, addressed the students and teachers on behalf of the Company on the significance of the KWG Art Lab programme, along with his personal experience.

Station 2: Quanmei Primary School, Longlou Town, Wenchang City

The "World Reading Day" may be past, but human pursuit of knowledge will never cease. KWG and Wenchang City, the 13th station of KWG Art Lab, go back a long way. Wenchang is where Moon Bay, a KWG development boasting the most beautiful bay area, is located. During the four years it spent in Wenchang, KWG witnessed the completion of the Aerospace City and its preparations for rocket launch, while Puqian Bridage and Binhai Express Travel Route will be opened to traffic very soon, complemented by ongoing improvements in municipal facilities which gives Wenchang a bright and prosperous outlook. Nevertheless, KWG also perceives the many hurdles in education confronting children in Wenchang, behind the city's thriving development.

Following the completion of the first KWG Art Lab in Hainan on the 23rd of April, the KWG team continued the journey in Hainan on the 24th and arrived at Quanmei Primary School, Longlou Town, Wenchang.

Upon arrival, KWG staff representatives received a warm welcome from the headmaster and students, who had put on their red scarves and waited in rank and file in the library earlier refurbished by KWG.

Books light up life and give wings to wisdom. It's a shame that the enjoyment of reading is far from universal. KWG knows very well how underprivileged children yearn for knowledge; we know where the responsibility of a Top-100 property company lies.

The completion of two KWG Art Labs in Hainan brings KWG closer to the achievement of its objective of building 100 Art Labs for village primary schools.

The kids hold the future of our motherland and any cities within it. The KWG Art Lab programme not only spreads the seed of knowledge to where it is needed, it also helps more village kids to realise their dreams for study and art. The real gift for the children is the prospect of a bright future.

The directors are pleased to present their report and the audited financial statements for the year ended 31 December 2015.

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 23 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 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 55 to 142.

The Board of the Company has proposed the payment of a final scrip dividend (with a cash option) of RMB29 cents per ordinary share for the year ended 31 December 2015. The proposed final scrip dividend (with a cash option) if approved by the shareholders at the forthcoming annual general meeting, expected to be paid on or before 27 July 2016 to the shareholders on the Register of Members on 16 June 2016.

Summary Financial Information

A financial summary of the Group is set out on page 144. 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 143.

Properties under Development

Details of the properties under development of the Group during the year are set out in note 18 to the financial statements. Further details of the Group's major properties under development are set out on page 143.

Completed Properties Held for Sale

Details of the completed properties held for sale of the Group during the year are set out in note 19 to the financial statements. Further details of the Group's major completed properties held for sale are set out on page 143.

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 29 and 30 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 31 and note 43 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

At 31 December 2015, the Company's reserves available for distribution, calculated in accordance with Articles 146 of the Articles of Association of the Company, amounted to approximately RMB6,387,248,000, of which approximately RMB868,980,000 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 RMB7,670,000.

Major Customers and Suppliers

For the year ended 31 December 2015, 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 10.6% and 27.2% 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 12.9% and 30.6% 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

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 Min, Tam Chun Fai and Li Bin Hai 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 24 to 27 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, Tsui Kam Tim and He Wei Zhi 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 2015, 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 50:

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 8)
Kong Jian Min (Notes 2, 3 and 4)	Long position	Interest of controlled corporations	1,821,580,505	60.79%
Kong Jian Tao (Notes 2, 3 and 5)	Long position	Interest of controlled corporations	1,758,638,505	58.69%
Kong Jian Nan (Notes 2 and 3)	Long position	Interest of controlled corporations	1,757,638,505	58.66%
He Wei Zhi (Note 6)	Long position	Interest of spouse	10,000	0.00033%
Tam Chun Fai (Note 7)	Long position	Beneficial owner	30,000	0.001%

Notes:

1. Share(s) of HK$0.10 each in the capital of the Company.

2. 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 1,682,638,505 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.

3. 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.

4. 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 63,942,000 shares through his interest in Hero Fine. Kong Jian Min is the sole director of Hero Fine.

5. 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.

6. These shares are held and beneficially owned by Wang Yanlei, the spouse of He Wei Zhi.

7. These shares are held and beneficially owned by Tam Chun Fai immediately after the share options were exercised on 9 October 2015.

8. As at 31 December 2015, the number of shares in issue was 2,996,482,528 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 50, as at 31 December 2015, 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 2015, 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	1,682,638,505	56.15%

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 2015, the number of shares in issue was 2,996,482,528 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 2015, 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 30 to the financial statements.

During the year ended 31 December 2015, no share options were granted, cancelled or 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 2015	Number of share options (exercised) during the year (Note 1)	Number of share options outstanding as at 31 December 2015	Date of grant (Notes 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	1,238,000	(500,000)	738,000	26 August 2011	26 August 2012–25 August 2016	4.49
Tam Chun Fai	30,000	(30,000)	–	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	3,375,000	(765,750)	2,609,250	26 August 2011	26 August 2012–25 August 2016	4.49
Total	5,911,000	(1,295,750)	4,615,250			

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 30 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 30 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.

Auditors

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

Disclosures Pursuant to Rule 13.21 of the Listing Rules

A joint venture in which the Group owns a 28.57% equity interest, Total Champ Limited, entered into an agreement for a term loan of HK$1,075,000,000 (the "Loan Agreement I") on 4 November 2011. The Loan Agreement I includes a condition imposing specific performance obligations on Mr. Kong Jian Min ("Mr. Kong"), the controlling shareholder of the Company. Mr. Kong is interested in approximately 60.79% of the issued share capital of the Company as at 31 December 2015. It will be an event of default in the event that Mr. Kong ceases to (i) be the single largest shareholder of the Company; (ii) hold directly or indirectly not less than 30% of the beneficial interest in the issued share capital of the Company; or (iii) have the right to determine the composition of the majority of the Board or equivalent body of the Company, and in such event (amongst other things), the Loan Agreement I may be terminated by the lenders and the facility may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 4 November 2011.

A joint venture in which the Group owns a 25% equity interest, Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. (天津津南新城房地產開發有限公司), entered into a facility agreement for a term loan of RMB1,000,000,000 (the "Facility Agreement III") on 21 May 2013. The Facility Agreement III imposes specific performance obligations on Mr. Kong. The Company has undertaken that Mr. Kong will, at all times during the term of the facility, continue to hold, directly or indirectly, at least 35% of the issued share capital of the Company and will maintain control over the management of the Company and its subsidiaries and remain as the single largest shareholder of the issued share capital 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 III) under the Facility Agreement III. Further details of the transaction are disclosed in the announcement of the Company dated 21 May 2013.

A joint venture in which the Group owns a 25% equity interest, Charm Talent Limited, entered into a facility agreement for a HK$2,700,000,000 transferable term loan facility (the "Facility Agreement IV") on 10 October 2013. The Facility Agreement IV imposes specific performance obligations on Mr. Kong. The Company has undertaken that Mr. Kong will, at all times during the term of the facility, beneficially own (in aggregate), directly or indirectly, at least 35% of the issued ordinary shares of the Company or exercise, be entitled to exercise management control over the Company, or remain as the single largest shareholder 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 IV) under the Facility Agreement IV. Further details of the transaction are disclosed in the announcement of the Company dated 10 October 2013.

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
19 February 2016

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

We have audited the consolidated financial statements of KWG Property Holding Limited (the "Company") and its subsidiaries set out on pages 55 to 142, which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

19 February 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**8,339,756**	10,465,788
Cost of sales		**(5,330,338)**	(6,748,208)
Gross profit		**3,009,418**	3,717,580
Other income and gains, net	5	**103,080**	98,346
Selling and marketing expenses		**(276,532)**	(298,451)
Administrative expenses		**(774,677)**	(794,247)
Other operating expenses, net		**(30,740)**	(312,972)
Fair value gains on investment properties, net	14	**709,671**	699,143
Finance costs	7	**(10,451)**	(6,083)
Share of profits and losses of:			
Associates		**(2,661)**	(5,686)
Joint ventures		**1,935,245**	1,547,942
PROFIT BEFORE TAX	6	**4,662,353**	4,645,572
Income tax expenses	10	**(1,249,168)**	(1,377,431)
PROFIT FOR THE YEAR		**3,413,185**	3,268,141
Attributable to:			
Owners of the Company		**3,416,248**	3,272,225
Non-controlling interests		**(3,063)**	(4,084)
		3,413,185	3,268,141
Earnings per share attributable to owners of the Company – Basic and diluted	12	**RMB115 cents**	RMB112 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR	**3,413,185**	3,268,141
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(572,650)**	(21,293)
Share of exchange differences on translation of associates	**–**	(2,135)
Share of exchange differences on translation of joint ventures	**(197,454)**	(7,164)
NET OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(770,104)**	(30,592)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,643,081**	3,237,549
Attributable to:		
Owners of the Company	**2,646,144**	3,241,633
Non-controlling interests	**(3,063)**	(4,084)
	2,643,081	3,237,549

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,693,827**	3,584,388
Investment properties	14	**9,549,593**	7,046,100
Land use rights	15	**919,140**	939,522
Interests in associates	16	**–**	767,400
Interests in joint ventures	17	**21,829,575**	16,622,226
Deferred tax assets	27	**1,197,373**	1,075,366
Total non-current assets		**37,189,508**	30,035,002
CURRENT ASSETS			
Properties under development	18	**20,895,264**	22,898,303
Completed properties held for sale	19	**6,533,673**	5,487,119
Trade receivables	20	**274,461**	217,317
Prepayments, deposits and other receivables	21	**1,990,457**	1,869,921
Due from a joint venture	17	**29,406**	54
Tax recoverables	22(a)	**202,571**	168,164
Restricted cash	23	**1,619,607**	776,897
Cash and cash equivalents	23	**10,946,470**	10,094,238
Total current assets		**42,491,909**	41,512,013
CURRENT LIABILITIES			
Trade and bills payables	24	**2,391,399**	2,693,611
Other payables and accruals	25	**7,170,761**	7,254,556
Due to joint ventures	17	**13,925,825**	10,700,785
Interest-bearing bank and other borrowings	26	**3,982,628**	3,465,336
Tax payables	22(b)	**4,719,093**	3,933,326
Total current liabilities		**32,189,706**	28,047,614
NET CURRENT ASSETS		**10,302,203**	13,464,399
TOTAL ASSETS LESS CURRENT LIABILITIES		**47,491,711**	43,499,401
NON-CURRENT LIABILITIES			
Due to a joint venture	17	**–**	1,000,000
Interest-bearing bank and other borrowings	26	**24,015,000**	21,047,717
Deferred tax liabilities	27	**1,115,753**	1,013,226
Deferred revenue	28	**2,042**	2,042
Total non-current liabilities		**25,132,795**	23,062,985
NET ASSETS		**22,358,916**	20,436,416

Consolidated Statement of Financial Position

31 December 2015

	Note	**2015 RMB'000**	2014 RMB'000 (Restated)
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**288,663**	284,706
Reserves		**22,052,746**	20,131,140
		22,341,409	20,415,846
Non-controlling interests		**17,507**	20,570
TOTAL EQUITY		**22,358,916**	20,436,416

Kong Jian Min
Director

Kong Jian Tao
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Notes	Attributable to owners of the Company								Non-controlling interests RMB'000	Total equity RMB'000
		Issued capital RMB'000	Share premium account RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000		
At 1 January 2014		280,485	6,615,724	745,110	325,156	26,871	(57,546)	9,881,708	17,817,508	24,654	17,842,162
Profit for the year		–	–	–	–	–	–	3,272,225	3,272,225	(4,084)	3,268,141
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations		–	–	–	(21,293)	–	–	–	(21,293)	–	(21,293)
Share of exchange differences on translation of associates		–	–	–	(2,135)	–	–	–	(2,135)	–	(2,135)
Share of exchange differences on translation of joint ventures		–	–	–	(7,164)	–	–	–	(7,164)	–	(7,164)
Total comprehensive income for the year		–	–	–	(30,592)	–	–	3,272,225	3,241,633	(4,084)	3,237,549
Share option expense	30	–	–	–	–	569	–	–	569	–	569
Transfer of equity-settled share option reserve upon the forfeiture or expiry of share options		–	–	–	–	(21,628)	–	21,628	–	–	–
Final 2013 dividend declared	29	4,221	190,929	–	–	–	–	(839,014)	(643,864)	–	(643,864)
Transfer to reserves	31	–	–	152,024	–	–	–	(152,024)	–	–	–
At 31 December 2014		284,706	6,806,653	897,134	294,564	5,812	(57,546)	12,184,523#	20,415,846	20,570	20,436,416

Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 2.4 to the financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

		Attributable to owners of the Company									
	Notes	Issued capital RMB'000	Share premium account RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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 of foreign operations		–	–	–	(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	29, 30	100	5,492	–	–	(1,103)	–	–	4,489	–	4,489
Share option expense	30	–	–	–	–	127	–	–	127	–	127
Final 2014 dividend declared	29	3,857	243,204	–	–	–	–	(972,258)	(725,197)	–	(725,197)
Transfer to reserves	31	–	–	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

* These reserve accounts comprise the consolidated reserves of approximately RMB22,052,746,000 (2014: approximately RMB20,131,140,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,662,353**	4,645,572
Adjustments for:			
Finance costs	7	**10,451**	6,083
Share of profits and losses of associates		**2,661**	5,686
Share of profits and losses of joint ventures		**(1,935,245)**	(1,547,942)
Interest income	5	**(40,937)**	(48,211)
Loss on disposal of investment properties, net	6	**122**	229
Loss on disposal of items of property, plant and equipment	6	**233**	906
Depreciation	6	**154,088**	150,459
Amortisation of land use rights	6	**5,035**	3,324
Changes in fair values of investment properties, net	14	**(709,671)**	(699,143)
Equity-settled share option expense	30	**127**	569
		2,149,217	2,517,532
Decrease/(increase) in properties under development		**1,490,768**	(2,512,135)
Increase in completed properties held for sale		**(1,046,554)**	(1,450,689)
Increase in trade receivables		**(57,144)**	(50,622)
(Increase)/decrease in prepayments, deposits and other receivables		**(62,779)**	445,399
Increase in an amount due from a joint venture		**(29,352)**	(31)
(Increase)/decrease in restricted cash		**(842,710)**	667,346
Decrease in trade and bills payables		**(302,212)**	(639,704)
Decrease in other payables and accruals		**(610,367)**	(251,605)
Increase in amounts due to joint ventures		**2,425,040**	4,299,245
Cash generated from operations		**3,113,907**	3,024,736
Interest received		**40,937**	48,211
Interest paid		**(2,336,784)**	(2,281,282)
Corporate income tax paid		**(232,179)**	(320,131)
Land appreciation tax paid		**(285,109)**	(847,618)
Net cash flows from/(used in) operating activities		**300,772**	(376,084)

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Net cash flows from/(used in) operating activities		**300,772**	(376,084)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(244,664)**	(550,559)
Acquisition of land use rights		**–**	(3,114)
Proceeds from disposal of investment properties		**3,432**	3,832
Proceeds from disposal of property, plant and equipment		**2,064**	7,682
Investments in joint ventures		**(1,354,200)**	(248,942)
Advance to associates		**–**	(30,715)
Repayment from/(advance to) joint ventures		**222,942**	(1,602,541)
Net cash flows used in investing activities		**(1,370,426)**	(2,424,357)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		**4,489**	–
Proceeds from issue of senior notes		**–**	5,802,836
Proceeds from issue of domestic corporate bonds		**3,267,000**	–
New bank loans		**4,698,566**	6,849,541
Repayment of bank loans		**(5,155,272)**	(5,488,277)
Early redemption of senior notes		**–**	(4,042,967)
(Decrease)/increase in an amount due to a joint venture		**(200,000)**	1,000,000
Dividend paid		**(725,197)**	(643,864)
Net cash flows from financing activities		**1,889,586**	3,477,269
NET INCREASE IN CASH AND CASH EQUIVALENTS		**819,932**	676,828
Cash and cash equivalents at beginning of year		**10,094,238**	9,414,483
Effect of foreign exchange rate changes, net		**32,300**	2,927
CASH AND CASH EQUIVALENTS AT END OF YEAR		**10,946,470**	10,094,238
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**4,726,282**	4,501,163
Non-pledged time deposits with original maturity of less than three months when acquired	23	**6,220,188**	5,593,075
Cash and cash equivalents		**10,946,470**	10,094,238

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") were involved in the following principal activities in the People's Republic of China (the "PRC"):

- 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 Direct	Indirect	Principal activities
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 Direct	Indirect	Principal activities
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*#	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 Direct	Indirect	Principal activities
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 Direct	Indirect	Principal activities
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	RMB10,000,000	–	100	Property development
Beijing Hengcheng Real Estate Development Limited#	PRC	RMB20,000,000	–	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

* 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, results 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 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 2015. 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. 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 revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no significant impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets:* Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures:* Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

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

(c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations:* Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKFRS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property:* Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisition of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact on the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 Issued But Not Yet Effective HKFRSs

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements to HKFRSs 2012–2014 Cycle	Amendments to a number of HKFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
[4] No mandatory effective date is determined but is available for early adoption

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

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. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

The 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 Group expects to adopt the amendments from 1 January 2016.

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

The 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 not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

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 September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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.

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 Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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 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 to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement

The Group measures its investment properties 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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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, associates 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

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, associates 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.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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; and

(e) 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Share-based payments

The Company operates a share option 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 30 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 of loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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 translation of monetary items are recognised in the statement of profit or loss.

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, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities 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. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*
For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of 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:

Operating lease commitments – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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.

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

Judgements *(continued)*

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 2015, properties under development and completed properties held for sale with total carrying amounts of approximately RMB1,468,107,000 (2014: Nil) and nil (2014: approximately RMB38,368,000), respectively, were transferred to investment properties due to a change in use, giving rise to a net fair value gain of approximately RMB243,386,000 (2014: Nil) and nil (2014: approximately RMB136,415,000), 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.

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 the investment properties are being 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").

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

Judgements *(continued)*

Withholding tax arising from the distribution of dividends

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. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and joint ventures established in Mainland China (the "PRC Subsidiaries and Joint Ventures") in respect of earnings generated from 1 January 2008.

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain PRC Subsidiaries and Joint Ventures according to the jurisdiction of the immediate holding company of the PRC Subsidiaries and Joint Ventures is subject to judgement on the timing of the payment of the dividends. In prior years, deferred tax of RMB139,720,000 had been provided on dividends distributed by the PRC Subsidiaries and Joint Ventures in respect of earnings generated from 1 January 2008 to 31 December 2014.

Taking into account of the Group's dividend policy and the working capital demand of the Group's business operation in Mainland China, the directors of the Company are of the view that it is the best interest of the Company to distribute its 2015 final dividend and its interim/final dividends in the foreseeable future out of the share premium account of the Company, which is permissible by the Companies Law of Cayman Islands and is also permissible by the Company's article of associations upon the approval of the Company's shareholders at the annual general meeting. There are no income tax consequences attaching to the payment of dividends by the Company out of the share premium account of the Company.

In the opinion of the directors of the Company, the Company has sufficient distributable reserves, including the Company's share premium to meet its dividend policy in the foreseeable future, and it is not probable that dividends would be declared by the PRC Subsidiaries and Joint Ventures in the foreseeable future. Accordingly, the Group did not provide additional deferred tax in 2015 related to the unremitted earnings of the PRC Subsidiaries and Joint Ventures that are subject to withholding taxes once distributed.

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.

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.

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.

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

Estimation uncertainty *(continued)*

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 2015 was approximately RMB181,767,000 (2014: approximately RMB170,520,000). The amount of unrecognised tax losses at 31 December 2015 was approximately RMB1,139,542,000 (31 December 2014: approximately RMB1,425,652,000). Further details are contained in note 27 to the financial statements.

Estimation of fair value 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 2015 was approximately RMB9,549,593,000 (31 December 2014: approximately RMB7,046,100,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

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 the PRC.

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 recoverable, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as there assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities 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 the PRC. As the Group's major operations and customers are located in the PRC, no further geographical segment information is provided.

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. Operating Segment Information *(continued)*

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
Reconciliation:					
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

4. Operating Segment Information *(continued)*

Year ended 31 December 2014

	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	9,770,424	146,971	332,221	216,172	10,465,788
Segment results	4,251,764	845,034	75,315	44,505	5,216,618
Reconciliation:					
Interest income and unallocated income					98,346
Unallocated expenses					(663,309)
Finance costs					(6,083)
Profit before tax					4,645,572
Income tax expenses					(1,377,431)
Profit for the year					3,268,141
Assets and liabilities:					
Segment assets	50,646,993	7,620,282	335,637	77,616	58,680,528
Segment liabilities	45,466,425	83,550	44,066	516	45,594,557
Other segment information:					
Depreciation and amortisation	75,669	2,390	74,730	994	153,783
Fair value gains on investment properties, net	–	699,143	–	–	699,143
Share of profits and losses of:					
Associates	(5,686)	–	–	–	(5,686)
Joint ventures	1,547,942	–	–	–	1,547,942
Investments in joint ventures	16,622,226	–	–	–	16,622,226
Investments in associates	767,400	–	–	–	767,400

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, gross revenue from hotel operation and property management fee income during the year.

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

	2015	2014
	RMB'000	RMB'000
Revenue:		
Sale of properties	**7,563,196**	9,770,424
Gross rental income	**154,381**	146,971
Hotel operation income	**367,110**	332,221
Property management fee income	**255,069**	216,172
	8,339,756	10,465,788
Other income and gains, net:		
Bank interest income	**40,937**	48,211
Foreign exchange differences, net	**7,799**	1,119
Others	**54,344**	49,016
	103,080	98,346

6. Profit Before Tax

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

	Notes	**2015 RMB'000**	2014 RMB'000
Cost of properties sold		**4,986,172**	6,468,583
Less: Government grant released*	25(a)	**(217)**	(25)
		4,985,955	6,468,558
Depreciation	13	**154,088**	150,459
Amortisation of land use rights	15	**26,195**	19,964
Less: Amount capitalised in assets under construction		**(21,160)**	(16,640)
		5,035	3,324
Premium paid on early redemption of senior notes***		**–**	231,940
Minimum lease payments under operating leases of land and buildings		**22,146**	20,807
Auditors' remuneration		**4,350**	4,200
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**549,603**	486,732
Pension scheme contributions (defined contribution scheme)**		**56,076**	46,517
Equity-settled share option expense		**54**	343
		605,733	533,592
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development		**(146,496)**	(132,402)
		459,237	401,190
Loss on disposal of investment properties, net***		**122**	229
Loss on disposal of items of property, plant and equipment***		**233**	906
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**26,804**	26,952

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

** At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2014: 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:

	2015 RMB'000	2014 RMB'000
Interest on bank and other borrowings	**2,264,956**	2,296,964
Less: Interest capitalised	**(2,254,505)**	(2,290,881)
	10,451	6,083

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to 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:

	2015 RMB'000	2014 RMB'000
Fees	**6,033**	5,745
Other emoluments:		
Salaries, allowances and benefits in kind	**16,635**	19,394
Equity-settled share option expense	**73**	226
Pension scheme contributions	**265**	270
	16,973	19,890
	23,006	25,635

For the years ended 31 December 2015 and 2014, no directors and chief executive were granted share options.

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

(a) Independent non-executive directors

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
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**
2014			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	394	2	396
Mr. Dai Feng (resigned on 28 February 2014)	66	2	68
Mr. Tam Chun Fai	394	2	396
Mr. Li Bin Hai	394	–	394
	1,248	6	1,254

There were no other emoluments payable to the independent non-executive directors during the year (2014: 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
2015					
Executive directors:					
Mr. Kong Jian Min	**1,257**	**3,491**	**–**	**47**	**4,795**
Mr. Kong Jian Tao	**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**
2014					
Executive directors:					
Mr. Kong Jian Min	1,183	3,417	–	44	4,644
Mr. Kong Jian Tao	1,183	3,417	–	44	4,644
Mr. Kong Jian Nan	1,183	3,417	–	52	4,652
Mr. Li Jian Ming	316	2,466	55	52	2,889
Mr. Tsui Kam Tim	316	4,260	110	26	4,712
Mr. He Wei Zhi	316	2,417	55	52	2,840
	4,497	19,394	220	270	24,381

There was no arrangement under which a director or 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 2015 included four (2014: four) directors and the chief executive, details of whose remuneration are set out in note 8 above.

Details of the remuneration for the year of the remaining one (2014: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2015	2014
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,581**	6,646
Pension scheme contributions	**41**	–
	2,622	6,646

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	
	2015	2014
RMB2,500,001 to RMB3,000,000	**1**	–
RMB6,500,001 to RMB7,000,000	**–**	1

10. Income Tax Expenses

		2015	2014
	Note	**RMB'000**	RMB'000
Current – PRC			
CIT		**550,027**	667,748
LAT		**718,621**	685,563
		1,268,648	1,353,311
Deferred	27	**(19,480)**	24,120
Total tax charge for the year		**1,249,168**	1,377,431

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:

	2015 **RMB'000**	2014 RMB'000
Profit before tax	**4,662,353**	4,645,572
At statutory income tax rate of 25.0% (2014: 25.0%)	**1,165,588**	1,161,393
Income not subject to tax	**(66)**	(543)
Expenses not deductible for tax	**19,543**	75,222
Profits and losses attributable to associates	**665**	1,422
Profits and losses attributable to joint ventures	**(483,811)**	(386,985)
LAT	**718,621**	685,563
Effect of LAT	**(179,655)**	(171,391)
Others	**8,283**	12,750
Tax charge at the Group's effective rate of 26.8% (2014: 29.7%)	**1,249,168**	1,377,431

For the year ended 31 December 2015, the share of CIT expense and LAT attributable to the joint ventures amounting to approximately RMB637,402,000 (2014: approximately RMB517,679,000) and approximately RMB656,267,000 (2014: approximately RMB343,578,000), 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 (2014: approximately RMB1,790,000), 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 2015 and 2014.

PRC CIT

PRC CIT in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2015 and 2014, 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

	2015 RMB'000	2014 RMB'000
Proposed final scrip dividend (with a cash option) – RMB29 cents (2014: scrip dividend (with a cash option) of RMB33 cents) per ordinary share	**868,980**	972,258

During the year, the 2014 final dividends were distributed to shareholders of the Company by scrip dividends of approximately RMB247,061,000 and cash dividends of approximately RMB725,197,000, respectively.

The proposed final 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 2,968,151,188 (2014: 2,915,838,344) in issue during the year.

For the year ended 31 December 2015, 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 2,968,151,188 (2014: 2,915,838,344) 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 1,063,336 (2014: 515,591).

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

	2015 RMB'000	2014 RMB'000
Earnings		
Profit attributable to owners of the Company	**3,416,248**	3,272,225

	Number of shares 2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**2,968,151,188**	2,915,838,344
Effect of dilution – share options	**1,063,336**	515,591
Weighted average number of ordinary shares used in diluted earnings per share calculation	**2,969,214,524**	2,916,353,935

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 2015							
At 31 December 2014 and 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	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 2015:							
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

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 2014							
At 1 January 2014:							
Cost	2,609,122	6,073	3,188	271,172	83,749	447,780	3,421,084
Accumulated depreciation	(109,028)	(4,383)	(3,096)	(84,245)	(44,096)	–	(244,848)
Net carrying amount	2,500,094	1,690	92	186,927	39,653	447,780	3,176,236
At 1 January 2014, net of accumulated depreciation	2,500,094	1,690	92	186,927	39,653	447,780	3,176,236
Additions	127,476	2,044	–	18,954	5,334	413,391	567,199
Disposals	–	(988)	–	(5,166)	(2,434)	–	(8,588)
Depreciation provided during the year	(79,393)	(780)	(77)	(55,535)	(14,674)	–	(150,459)
At 31 December 2014, net of accumulated depreciation	2,548,177	1,966	15	145,180	27,879	861,171	3,584,388
At 31 December 2014:							
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 31 December 2015, certain items of the Group's property, plant and equipment with an aggregate net carrying amount of approximately RMB2,306,316,000 (2014: approximately RMB2,388,222,000) were pledged to secure general banking facilities granted to the Group (note 34(a)).

14. Investment Properties

	2015 Completed investment properties RMB'000	2015 Investment properties under construction RMB'000	2015 Total RMB'000	2014 Completed investment properties RMB'000	2014 Investment properties under construction RMB'000	2014 Total RMB'000
Carrying amount at 1 January	**4,298,100**	**2,748,000**	**7,046,100**	3,949,230	2,185,400	6,134,630
Transfers from properties under development (note 18)	**–**	**1,468,107**	**1,468,107**	–	–	–
Transfer from completed properties held for sale (note 19)	**–**	**–**	**–**	38,368	–	38,368
Additions	**–**	**329,269**	**329,269**	–	178,020	178,020
Transfers	**1,371,163**	**(1,371,163)**	**–**	–	–	–
Disposals	**(3,554)**	**–**	**(3,554)**	(4,061)	–	(4,061)
Gain from a fair value adjustment	**414,391**	**295,280**	**709,671**	314,563	384,580	699,143
Carrying amount at 31 December	**6,080,100**	**3,469,493**	**9,549,593**	4,298,100	2,748,000	7,046,100

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 2015 based on valuations performed by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at approximately RMB9,549,593,000 (2014: approximately RMB7,046,100,000). 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 35(a) to the financial statements.

14. Investment Properties *(continued)*

At 31 December 2015, certain items of the Group's investment properties with an aggregate carrying amount of approximately RMB7,627,702,000 (2014: approximately RMB3,499,864,000) were pledged to secure general banking facilities granted to the Group (note 34(a)).

At 31 December 2015, the Group had not yet obtained the real estate ownership certificates of the Group's investment properties with a net carrying amount of approximately RMB5,434,493,000 (2014: approximately RMB2,956,000,000) from the relevant government authorities.

Further particulars of the Group's major investment properties are included on page 143 of the annual report.

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 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**

	Fair value measurement as at 31 December 2014 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	–	–	7,046,100	7,046,100

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 (2014: Nil).

14. Investment Properties *(continued)*

Fair value hierarchy *(continued)*

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 2015	2014
Commercial properties	Investment approach and direct comparison	Estimated unit market rent (per sq.m. per month)	**39 to 1,053**	37 to 1,049
		Capitalisation rate	**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.

All the properties are valued by the direct comparison method 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 properties are also valued by the investment approach taking into account the rents passing of the properties and the reversionary potential of the tenancies, and the two approaches are reconciled, if applicable.

A significant increase/decrease in the estimated rental value and a significant decrease/increase in the capitalisation rate in isolation will result in a corresponding significant increase/decrease in the fair value of the investment properties.

15. Land Use Rights

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**959,486**	877,227
Additions and transfers from properties under development	**12,490**	102,223
Amortisation recognised during the year	**(26,195)**	(19,964)
Carrying amount at 31 December	**945,781**	959,486
Current portion included in prepayments, deposits and other receivables	**(26,641)**	(19,964)
Non-current portion	**919,140**	939,522

Certain items of the Group's land use rights with an aggregate net carrying amount of approximately RMB141,171,000 (2014: approximately RMB155,555,000) were pledged to banks to secure general banking facilities granted to the Group (note 34(a)).

At 31 December 2015, 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 (2014: approximately RMB27,450,000) from the relevant government authorities.

16. Interests in Associates/Balances with Associates

	2015	2014
	RMB'000	RMB'000
Share of net assets	**–**	56,934
Advances to associates	**–**	710,466
	–	767,400

At 31 December 2014, except for an aggregate amount of RMB28,100,000, which bore interest at 6.15% per annum, the advances to associates as shown above were unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances were considered as part of the Group's net investments in the associates.

As at 31 December 2014, the Group had a 20% equity interest in Lyntondale Holdings Limited ("Lyntondale") and Bonserry Investments Limited ("Bonserry") respectively, which were the holding companies for certain PRC companies engaged in property development. On 17 July 2015, the Group entered into agreements to acquire an additional 30% equity interest in Lyntondale and Bonserry respectively. Upon completion of the share transfers on 24 July 2015, the Group had a 50% equity interest in Lyntondale and Bonserry respectively, and they had been accounted for as joint ventures of the Group as at 31 December 2015. For further details of the transaction, please refer to the related announcement of the Company dated 17 July 2015.

17. Interests in Joint Ventures/Balances with Joint Ventures

	2015	2014
	RMB'000	RMB'000
Share of net assets	**13,972,996**	10,721,840
Advances to joint ventures	**7,856,579**	5,900,386
	21,829,575	16,622,226

Except for an aggregate amounts of RMB351,698,000 (2014: Nil), which are interest-bearing at 5.25%–6.15% (2014: Nil) 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 2015, an amount due from a joint venture included in the Group's current assets of approximately RMB29,406,000 (2014: approximately RMB54,000) is unsecured, interest-free and has no fixed term of repayment.

As at 31 December 2014, the amount due to a joint venture included in the Group's non-current liabilities of RMB1,000,000,000 was unsecured, bore interest at 8.77% per annum and was not repayable within one year, in which RMB200,000,000 was early repaid during the year and the remaining RMB800,000,000 was repayable in 2016 and included in the Group's current liabilities as at 31 December 2015.

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

As at 31 December 2015, excluding the amount due to a joint venture included in the Group's current liabilities of RMB800,000,000 (2014: Nil) 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 (2014: approximately RMB10,700,785,000) are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's material joint ventures as at 31 December 2015 are as follows:

Name	Particulars of issued shares held	Place of registration/ incorporation	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Guangzhou Fujing Real Estate Development Limited ("Guangzhou Fujing")#	Registered capital of HK$1 each	PRC	33.3	33.3	33.3	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.

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:

	2015 RMB'000	2014 RMB'000
Total assets	**12,920,499**	12,829,394
Total liabilities	**(5,248,482)**	(6,516,584)
Profit and total comprehensive income for the year	**1,359,207**	2,165,126

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

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

	2015 **RMB'000**	2014 RMB'000
Share of the joint ventures' profit for the year	**1,482,221**	826,306
Share of the joint ventures' other comprehensive loss	**(197,454)**	(7,164)
Share of the joint ventures' total comprehensive income	**1,284,767**	819,142
Aggregate carrying amount of the Group's investments in the joint ventures	**19,272,492**	14,518,166

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.

18. Properties Under Development

	2015 **RMB'000**	2014 RMB'000
Properties under development expected to be recovered:		
Within one year	**13,583,569**	13,975,722
After more than one year	**7,311,695**	8,922,581
	20,895,264	22,898,303

The Group's properties under development were located in the Mainland China.

During the year ended 31 December 2015, certain items of the Group's properties under development with an aggregate carrying value of approximately RMB1,468,107,000 (2014: approximately RMB178,020,000) (note 14) were transferred to investment properties.

Certain items of the Group's properties under development with an aggregate carrying amount of approximately RMB10,699,900,000 (2014: approximately RMB13,489,586,000) were pledged to secure general banking facilities granted to the Group (note 34(a)).

Included in the Group's properties under development as at 31 December 2015 were land costs with an aggregate net carrying amount of approximately RMB223,150,000 (2014: approximately RMB223,150,000) 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 143 of the annual report.

19. 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 2015, none (2014: an aggregate carrying value of approximately RMB38,368,000) (note 14) of the Group's completed properties held for sale were transferred to investment properties.

At 31 December 2015, certain items of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB353,712,000 (2014: Nil) were pledged to secure general banking facilities granted to the Group (note 34(a)).

Further particulars of the Group's major completed properties held for sale are set out on page 143 of the annual report.

20. 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 three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2015 **RMB'000**	2014 RMB'000
Within 3 months	**239,374**	187,267
4 to 6 months	**9,801**	8,547
7 to 12 months	**9,919**	8,694
Over 1 year	**15,367**	12,809
	274,461	217,317

20. Trade Receivables *(continued)*

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

	2015 **RMB'000**	2014 RMB'000
Neither past due nor impaired	**249,175**	195,814
1 to 6 months past due	**25,286**	21,503
	274,461	217,317

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.

21. Prepayments, Deposits and Other Receivables

	2015 **RMB'000**	2014 RMB'000
Prepayments	**632,632**	542,760
Deposits and other receivables	**1,357,825**	1,327,161
	1,990,457	1,869,921

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.

22. Tax Recoverables/Tax Payables

(a) Tax recoverables

	2015 **RMB'000**	2014 RMB'000
Prepaid CIT	**43,155**	36,015
Prepaid LAT	**159,416**	132,149
	202,571	168,164

(b) Tax payables

	2015 **RMB'000**	2014 RMB'000
CIT payable	**1,773,958**	1,448,970
LAT payable	**2,945,135**	2,484,356
	4,719,093	3,933,326

23. Cash and Cash Equivalents and Restricted Cash

	Notes	**2015** **RMB'000**	2014 RMB'000
Cash and bank balances		**6,345,889**	5,278,060
Time deposits		**6,220,188**	5,593,075
		12,566,077	10,871,135
Less: Restricted cash	(a)	**(1,619,607)**	(776,897)
Cash and cash equivalents		**10,946,470**	10,094,238
Denominated in RMB	(b)	**12,313,277**	10,350,166
Denominated in other currencies		**252,800**	520,969
		12,566,077	10,871,135

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

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 2015, such guarantee deposits amounted to approximately RMB1,619,607,000 (2014: approximately RMB776,897,000).

(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 for one day to three months 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.

24. Trade and Bills Payables

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

	2015 **RMB'000**	2014 RMB'000
Due within one year or on demand	**2,391,399**	2,693,611

The trade and bills payables are non-interest-bearing and are normally settled on terms of three to six months.

25. Other Payables and Accruals

	Note	**2015** **RMB'000**	2014 RMB'000
Deposits received and receipts in advance		**3,036,457**	4,475,383
Other payables and accruals		**4,120,441**	2,765,093
Deferred income	(a)	**13,863**	14,080
		7,170,761	7,254,556

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 RMB217,000 (2014: approximately RMB25,000) had been credited to the cost of sales.

Other payables are non-interest-bearing and are normally settled on terms of three to six months.

26. Interest-bearing Bank and Other Borrowings

	2015			2014		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans						
– secured	**5.23–11.5**	**2016**	**2,488,281**	6.12–8.50	2015	1,513,233
– unsecured	**5.18–7.52**	**2016**	**104,768**	9.00–10.95	2015	999,938
– denominated in HK$, secured	**HIBOR+4.30**	**2016**	**56,558**	HIBOR+4.60– HIBOR+5.00	2015	372,039
– denominated in US$, secured	**LIBOR+4.30**	**2016**	**53,566**	–	–	–
Current portion of long-term bank loans						
– secured	**4.90–7.53**	**2016**	**888,021**	5.90–7.76	2015	514,889
– denominated in HK$, secured	**HIBOR+4.29**	**2016**	**391,434**	HIBOR+4.30	2015	33,963
– denominated in US$, secured	**–**	**–**	**–**	LIBOR+4.30	2015	31,274
			3,982,628			3,465,336
Non-current						
Bank loans						
– secured	**4.90–7.53**	**2017–2029**	**8,870,846**	5.90–11.50	2016–2029	10,903,632
– denominated in HK$, secured	**HIBOR+4.29**	**2017**	**1,259,026**	HIBOR+4.30	2016	50,764
– denominated in US$, secured	**–**	**–**	**–**	LIBOR+4.30	2016	50,438
Senior notes						
– denominated in US$, secured (i)	**8.25–13.25**	**2017–2020**	**10,617,744**	8.25–13.25	2017–2020	10,042,883
Domestic corporate bonds – unsecured (ii)	**4.94–6.15**	**2018–2020**	**3,267,384**	–	–	–
			24,015,000			21,047,717
			27,997,628			24,513,053

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

	2015 **RMB'000**	2014 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,982,628**	3,465,336
In the second year	**5,302,705**	4,137,162
In the third to fifth years, inclusive	**2,432,850**	4,129,983
Beyond five years	**2,394,317**	2,737,689
	14,112,500	14,470,170
Senior notes repayable:		
In the second year	**2,535,926**	–
In the third to fifth years, inclusive	**8,081,818**	8,446,705
Beyond five years	**–**	1,596,178
	10,617,744	10,042,883
Domestic corporate bonds repayable:		
In the third to fifth years, inclusive	**3,267,384**	–
	27,997,628	24,513,053

Certain items of the Group's borrowings are secured by the Group's assets, details of which are disclosed in note 34.

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.

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

Note:

(i) 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 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 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.

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.

(ii) 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.

27. Deferred Tax

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

Deferred tax liabilities

	2015				
	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	Total 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					
	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	Total 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 recognised at 31 December 2015						81,620

27. Deferred Tax *(continued)*

Deferred tax liabilities

	2014				
	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	Total RMB'000
At 1 January 2014	47,675	38,214	982,833	139,720	1,208,442
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	9,662	(5,194)	174,144	–	178,612
Gross deferred tax liabilities at 31 December 2014	57,337	33,020	1,156,977	139,720	1,387,054

Deferred tax assets

	2014					
	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	Total RMB'000
At 1 January 2014	1,378	939,018	92,840	257,955	3,526	1,294,717
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	252	171,390	77,695	(94,839)	(6)	154,492
Others	–	–	(15)	–	–	(15)
Gross deferred tax assets at 31 December 2014	1,630	1,110,408	170,520	163,116	3,520	1,449,194
Net deferred tax recognised at 31 December 2014						62,140

27. 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:

	2015 **RMB'000**	2014 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**1,197,373**	1,075,366
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,115,753)**	(1,013,226)
	81,620	62,140

The Group has unutilised tax losses arising in Mainland China of approximately RMB1,866,610,000 (2014: approximately RMB2,107,732,000) 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 RMB1,139,542,000 (2014: approximately RMB1,425,652,000) 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 2015, unremitted earnings that are subjected to withholding taxes of the Group's subsidiaries and joint ventures established in the PRC of approximately RMB7,681,080,000 (2014: approximately RMB5,839,377,000) 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.

28. 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 Vender, pursuant to which the Group paid cash consideration of RMB8,958,000 to the Vender in replace of transferring partial apartments and car parking spaces to the Vender. As at 31 December 2015, 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.

29. Share Capital

Shares

	2015 No. of shares	2015 RMB'000	2014 No. of shares	2014 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	**2,996,482,528**	**288,663**	2,946,234,908	284,706

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 2014	2,893,150,000	280,485	6,615,724	6,896,209
Shares issued as scrip dividend during the year	53,084,908	4,221	190,929	195,150
At 31 December 2014 and 1 January 2015	2,946,234,908	284,706	6,806,653	7,091,359
Shares issued as scrip dividend during the year	**48,951,870**	**3,857**	**243,204**	**247,061**
Share options exercised (note a)	**1,295,750**	**100**	**5,492**	**5,592**
At 31 December 2015	**2,996,482,528**	**288,663**	**7,055,349**	**7,344,012**

Note:

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

30. 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.

30. Share Option Scheme *(continued)*

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 18 December 2009 and 26 August 2011, the Company granted 8,457,000 and 7,351,000 share options, respectively, to the grantees, including the board of directors of the Company and certain employees of the Group. No (2014: 5,729,000) share options were forfeited during the year and subsequently cancelled or lapsed. 1,295,750 (2014: Nil) share options were exercised by the grantees during the year.

The exercise prices of the outstanding share options granted on 18 December 2009 and 26 August 2011 were HK$6.24 and HK$4.49 per share, respectively.

The closing prices of the Company's shares on 18 December 2009 and 26 August 2011, the dates of grant, were HK$6.23 and HK$4.32 per share, respectively.

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

30. Share Option Scheme *(continued)*

Share options granted on 18 December 2009

(i) up to 25% of the share options granted to each grantee at any time after the expiration of 12 months from 18 December 2009;

(ii) up to 50% of the share options granted to each grantee at any time after the expiration of 24 months from 18 December 2009;

(iii) up to 75% of the share options granted to each grantee at any time after the expiration of 36 months from 18 December 2009;

(iv) all the share options granted to each grantee at any time after the expiration of 48 months from 18 December 2009;

and, in each case, not later than 17 December 2014.

The share options granted to the independent non-executive directors of the Company are exercisable at any time prior to 17 December 2014.

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 values of the share options granted on 18 December 2009 and 26 August 2011 determined at the date of grant using the Models were approximately RMB19,938,000 and RMB6,696,000, respectively. The Group recognised a share option expense of approximately RMB127,000 (2014: approximately RMB569,000) during the year ended 31 December 2015.

30. Share Option Scheme *(continued)*

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

	Options granted on 26 August 2011	Options granted on 18 December 2009
Grant date share price	HK$4.32	HK$6.23
Exercise price	HK$4.49	HK$6.24
Expected life	5 years	5 years
Expected volatility	66%	63%–69%
Expected dividend yield (%)	3.11%	1.48%
Risk-free interest rate (%)	0.79%	0.72%–1.21%

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.

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 2015, the Company had 4,615,250 (2014: 5,911,000) share options outstanding under the Scheme, which had a weighted average exercise price of HK$4.49 (2014: HK$4.49) per share. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,615,250 (2014: 5,911,000) additional ordinary shares of the Company and additional share capital of approximately HK$462,000 (equivalent to approximately RMB387,000) (2014: approximately HK$591,000, equivalent to approximately RMB466,000) and share premium of approximately HK$20,260,000 (equivalent to approximately RMB16,973,000) (2014: approximately HK$25,949,000, equivalent to approximately RMB20,470,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 4,615,250 share options outstanding under the Scheme, which represented approximately 0.15% of the Company's shares in issue at that date.

31. 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 59 to 60 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 2015, the Group appropriated approximately RMB110,402,000 (2014: approximately RMB152,024,000) to these reserve funds in accordance with the relevant laws and regulations in the PRC.

32. Investments in Joint Operations

The Group has entered into three (2014: three) joint venture arrangements in the form of joint operations with certain parties, to jointly undertake three (2014: three) property development projects located in Guangzhou, Guangdong Province, the PRC. As at 31 December 2015, the aggregate amounts of assets and liabilities recognised in respect of these joint operations were as follows:

	2015 **RMB'000**	2014 RMB'000
Assets	**3,476,788**	2,572,772
Liabilities	**(293,720)**	(199,051)

33. 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	**2015** **RMB'000**	2014 RMB'000
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	(a)	**5,608,892**	5,103,170
Guarantees given to banks in connection with bank loans granted to joint ventures	(b)	**3,891,230**	2,801,930
Guarantee given to a bank in connection with a bank loan granted to an associate	(b)	**–**	50,400
		9,500,122	7,955,500

33. Contingent Liabilities *(continued)*

Note:

(a) As at 31 December 2015 and 2014, 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 2015 and 2014 for the guarantees.

(b) As at 31 December 2015, the banking facilities guaranteed by the Group to joint ventures and an associate were utilised to the extent of approximately RMB3,891,230,000 (2014: approximately RMB2,801,930,000) and nil (2014: approximately RMB50,400,000), respectively.

34. 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	**2015** **RMB'000**	2014 RMB'000
Buildings	13	**2,306,316**	2,388,222
Investment properties	14	**7,627,702**	3,499,864
Land use rights	15	**141,171**	155,555
Properties under development	18	**10,699,900**	13,489,586
Completed properties held for sale	19	**353,712**	–
		21,128,801	19,533,227

(b) As at 31 December 2015 and 2014, 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 2015 and 2014, 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 2015, the domestic corporate bonds were guaranteed by the Company.

35. 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 10 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 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**152,837**	140,792
In the second to fifth years, inclusive	**228,807**	237,021
After five years	**16,101**	8,001
	397,745	385,814

(b) As lessee

The Group lease certain items of office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 3 months to 5 years.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**15,349**	17,265
In the second to fifth years, inclusive	**14,967**	15,777
	30,316	33,042

36. Commitments

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following capital commitments at the end of the reporting period:

	2015	2014
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**274,513**	237,833
Properties being developed by the Group for sale	**3,575,021**	3,682,172
Investment properties	**586,530**	293,569
	4,436,064	4,213,574

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

	2015	2014
	RMB'000	RMB'000
Contracted, but not provided for	**2,781,210**	2,329,502

37. Related Party Transactions

(a) Outstanding balances with related parties

Details of the Group's balances with its associates and joint ventures are included in notes 16 and 17 to the financial statements, respectively.

(b) Other transactions with related parties

Details of guarantees given by the Group to banks in connection with bank loans granted to an associate and joint ventures are included in note 33 to the financial statements.

(c) Compensation of key management personnel of the Group

	2015	2014
	RMB'000	RMB'000
Short term employee benefits	**36,176**	42,036
Equity-settled share option expense	**73**	226
Post-employment benefits	**676**	654
Total compensation paid to key management personnel	**36,925**	42,916

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

38. 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	**2015 RMB'000**	2014 RMB'000
Trade receivables	20	**274,461**	217,317
Financial assets included in prepayments, deposits and other receivables	21	**1,357,825**	1,327,161
Due from a joint venture	17	**29,406**	54
Restricted cash	23	**1,619,607**	776,897
Cash and cash equivalents	23	**10,946,470**	10,094,238
		14,227,769	12,415,667

Financial liabilities – Financial liabilities at amortised cost

	Notes	**2015 RMB'000**	2014 RMB'000
Trade and bills payables	24	**2,391,399**	2,693,611
Financial liabilities included in other payables and accruals	25	**4,120,441**	2,765,093
Due to joint ventures	17	**13,925,825**	11,700,785
Interest-bearing bank and other borrowings	26	**27,997,628**	24,513,053
		48,435,293	41,672,542

39. 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	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities:				
Interest-bearing bank and other borrowings	**27,997,628**	24,513,053	**28,761,296**	24,389,382

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, amounts due from/to associates and joint ventures approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 2015 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2015 and 2014.

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

During the years ended 31 December 2015 and 2014, 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 2015

	Fair value measurement 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**
Interest-bearing bank and other borrowings	**–**	**28,761,296**	**–**	**28,761,296**

As at 31 December 2014

	Fair value measurement 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
Interest-bearing bank and other borrowings	–	24,389,382	–	24,389,382

40. 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, 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. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

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

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**
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**	**–**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2014			
RMB	200	(200,625)	–
Hong Kong dollar	200	(6,480)	–
United States dollar	200	(1,246)	–
RMB	(200)	200,625	–
Hong Kong dollar	(200)	6,480	–
United States dollar	(200)	1,246	–

* Excluding retained profits

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

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 except for certain bank loans and bank balances denominated in Hong Kong dollars and senior notes denominated in United States dollars. The Group has not hedged its foreign exchange rate risk.

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 equity 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**

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in equity RMB'000
2014			
If RMB weakens against Hong Kong dollar	(5)	N/A	(20,813)
If RMB strengthens against Hong Kong dollar	5	N/A	20,813
If RMB weakens against United States dollar	N/A	(5)	(482,217)
If RMB strengthens against United States dollar	N/A	5	482,217

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

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 and cash and cash equivalents 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 33.

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 loans 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.

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:

	2015					
	On demand	Less than 3 months	3 to less than 12 months	2 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	4,120,441	–	–	–	–	4,120,441
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
	29,937,787	1,324,335	4,595,710	25,354,393	2,826,431	64,038,656

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

Liquidity risk *(continued)*

	2014					
	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	–	2,081,335	3,314,880	20,905,394	5,036,491	31,338,100
Trade and bills payables	2,693,611	–	–	–	–	2,693,611
Other payables and accruals	2,765,093	–	–	–	–	2,765,093
Due to joint ventures	11,700,785	–	–	–	–	11,700,785
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	5,103,170	–	–	–	–	5,103,170
Guarantee given to banks in connection with bank loans granted to joint ventures	2,801,930	–	–	–	–	2,801,930
Guarantee given to a bank in connection with a bank loan granted to an associate	50,400	–	–	–	–	50,400
	25,114,989	2,081,335	3,314,880	20,905,394	5,036,491	56,453,089

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.

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 2015 and 2014.

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

Capital management *(continued)*

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. Capital includes share capital and reserves attributable to the owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2015	2014
	RMB'000	RMB'000
Net borrowings	**15,431,551**	13,641,918
Total equity	**22,358,916**	20,436,416
Gearing ratio	**69.0%**	66.8%

41. Comparative Amounts

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

42. 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:

	2015 RMB'000	2014 RMB'000 (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	**35,810**	5,056
Interests in subsidiaries	**12,716,279**	11,820,697
Advances to associates	**–**	379,132
Interests in joint ventures	**2,637,105**	2,262,494
Total non-current assets	**15,389,194**	14,467,379
CURRENT ASSETS		
Prepayments, deposits and other receivables	**167,438**	169,512
Due from a subsidiary	**4,202,784**	3,962,106
Cash and cash equivalents	**25,161**	260,892
Total current assets	**4,395,383**	4,392,510
CURRENT LIABILITIES		
Other payables and accruals	**433,659**	389,872
Due to joint ventures	**296,680**	515,666
Interest-bearing bank and other borrowings	**501,557**	437,276
Total current liabilities	**1,231,896**	1,342,814
NET CURRENT ASSETS	**3,163,487**	3,049,696
TOTAL ASSETS LESS CURRENT LIABILITIES	**18,552,681**	17,517,075
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**11,876,770**	10,144,085
Total non-current liabilities	**11,876,770**	10,144,085
NET ASSETS	**6,675,911**	7,372,990
EQUITY		
Issued capital	**288,663**	284,706
Reserves (note)	**6,387,248**	7,088,284
TOTAL EQUITY	**6,675,911**	7,372,990

42. Statement of Financial Position of the Company *(continued)*

Note:

A summary to the Company's reserves is as follows:

	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 2014	6,615,724	308,006	(1,109,852)	26,871	117,937	5,958,686
Share option expense	–	–	–	569	–	569
Transfer of equity-settled share option reserve upon the forfeiture or expiry of share options	–	–	–	(21,628)	13,466	(8,162)
Profit for the year	–	–	–	–	928,481	928,481
Exchange realignment	–	–	17,781	–	–	17,781
Shares issued as scrip dividend during the year	190,929	–	–	–	–	190,929
At 31 December 2014 and 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)**
Share options exercised	**5,492**	**–**	**–**	**(1,103)**	**–**	**4,389**
Share option expenses	**–**	**–**	**–**	**127**	**–**	**127**
Loss for the year	**–**	**–**	**–**	**–**	**(100,859)**	**(100,859)**
Exchange realignment	**–**	**–**	**124,361**	**–**	**–**	**124,361**
Shares issued as scrip dividend during the year	**243,204**	**–**	**–**	**–**	**–**	**243,204**
At 31 December 2015	**7,055,349**	**308,006**	**(967,710)**	**4,836**	**(13,233)**	**6,387,248**

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.

43. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 19 February 2016.

31 December 2015

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	686	913	Residential, villas, serviced apartments, office and retail	N/A
Pearl Coast	100	Lingshui, Hainan	535	134	Villas and residential	N/A
Hangzhou La Bali	100	Yuhang District, Hangzhou	39	66	Residential and villas	N/A
Shanghai Apex	100	Jiading District, Shanghai	61	83	Residential, serviced apartments and retail	N/A
The Sapphire	100	Xiangcheng District, Suzhou	286	767	Residential, serviced apartments and retail	N/A
Chengdu Cosmos	100	South New District, Chengdu	83	451	Residential, serviced apartments, office and retail	N/A
Suzhou Emerald	100	Wuzhong District, Suzhou	64	176	Residential and retail	N/A
Major properties under development						
The Summit	100	Zengcheng City, Guangzhou	1,285	1,712	Residential, villas, serviced apartments, office and retail	2016–2018
Chengdu Cosmos	100	South New District, Chengdu	104	570	Residential, serviced apartments, office and retail	2016–2018
Beijing Tongzhou II	100	Tongzhou District, Beijing	17	125	Serviced apartments, office and retail	2016–2018
Beijing Tongzhou I	100	Tongzhou District, Beijing	18	128	Serviced apartments, office and retail	2016–2018
Essence of City	100	Zengcheng City, Guangzhou	129	344	Residential, villas and retail	2016–2017
Vision of the World	100	Nanqiao New Town, Shanghai	78	167	Residential, serviced apartments and retail	2016–2017
The More	100	Yuhang District, Hangzhou	41	106	Residential	2016

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

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				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Revenue	10,122,595	9,676,422	9,468,002	10,465,788	**8,339,756**
Profit before tax	3,979,935	3,765,987	3,703,803	4,645,572	**4,662,353**
Income tax expenses	(1,876,028)	(1,333,017)	(954,550)	(1,377,431)	**(1,249,168)**
Profit for the year	2,103,907	2,432,970	2,749,253	3,268,141	**3,413,185**
Attributable to:					
Owners of the Company	2,103,368	2,406,368	2,749,769	3,272,225	**3,416,248**
Non-controlling interests	539	26,602	(516)	(4,084)	**(3,063)**
	2,103,907	2,432,970	2,749,253	3,268,141	**3,413,185**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	RMB73 cents	RMB83 cents	RMB95 cents	RMB112 cents	**RMB115 cents**

Consolidated Assets, Liabilities and Equity

	As at 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
ASSETS					
Non-current assets	16,462,845	19,165,733	25,139,681	30,035,002	**37,189,508**
Current assets	28,123,458	29,698,727	36,450,703	41,512,013	**42,491,909**
Total assets	44,586,303	48,864,460	61,590,384	71,547,015	**79,681,417**
LIABILITIES					
Current liabilities	18,990,505	18,894,983	24,987,343	28,047,614	**32,189,706**
Non-current liabilities	11,902,780	14,616,098	18,760,879	23,062,985	**25,132,795**
Total liabilities	30,893,285	33,511,081	43,748,222	51,110,599	**57,322,501**
EQUITY					
Equity attributable to owners of the Company	13,490,805	15,281,531	17,817,508	20,415,846	**22,341,409**
Non-controlling interests	202,213	71,848	24,654	20,570	**17,507**
Total equity	13,693,018	15,353,379	17,842,162	20,436,416	**22,358,916**

合景泰富地產

www.kwgproperty.com