



首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

Stock Code: 2868

Create

New Urban Life

創造都市新生活



2016
ANNUAL
REPORT



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Corporate Information

DIRECTORS

Non-Executive Director

Mr. Li Songping (*Chairman*)

Executive Director

Mr. Tang Jun (*President*)

Non-Executive Directors

Ms. Sun Baojie

Mr. Sun Shaolin

Mr. Su Jian

Mr. Yang Weibin

Independent Non-Executive Directors

Mr. Wang Hong

Mr. Li Wang

Mr. Wong Yik Chung, John

AUDIT COMMITTEE

Mr. Wong Yik Chung, John (*Chairman*)

Mr. Wang Hong

Mr. Li Wang

REMUNERATION COMMITTEE

Mr. Wang Hong (*Chairman*)

Mr. Sun Shaolin

Mr. Wong Yik Chung, John

NOMINATION COMMITTEE

Mr. Wang Hong (*Chairman*)

Mr. Li Songping

Mr. Wong Yik Chung, John

STRATEGIC COMMITTEE

Mr. Li Songping (*Chairman*)

Mr. Tang Jun

Mr. Wang Hong

SUPERVISORS

Mr. Li Zhang

Ms. Tang Yanan

Mr. Jiang Hebin

SECRETARY OF THE BOARD OF DIRECTORS

Ms. Qin Yi

COMPANY SECRETARY

Mr. Lee Sze Wai

AUTHORISED REPRESENTATIVES

Mr. Tang Jun

Mr. Lee Sze Wai

REGISTERED OFFICE

Room 6008, Block 1,
No. 26 Qingchun Road,
Huairou District,
Beijing, PRC

Corporate Information

BEIJING HEADQUARTERS

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No. 2, Guang Ning Bo Street,
Beijing, PRC

HONG KONG OFFICE

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1 Connaught Road Central, Hong Kong

WEBSITE

<http://www.bjcapitaland.com>

AUDITORS

PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

As to Hong Kong law:

Norton Rose Fulbright Hong Kong

As to PRC law:

JunZeJun Law Office

PRINCIPAL BANKERS

China Development Bank

China Construction Bank

Agricultural Bank of China

China Merchants Bank

Bank of Communications

Industrial and Commercial Bank of China

Bank of China

The Hong Kong and Shanghai Banking Corporation

Listing Information

STOCK CODE FOR H SHARE

Hong Kong Stock Exchange	2868
Reuters	2868.HK
Bloomberg	2868HK

BOARD LOT SIZE

H Share	2,000
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H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716,

17th Floor, Hopewell Centre,

183 Queen's Road East, Wanchai

Hong Kong

Telephone: (852) 2862 8628

Fax: (852) 2529 6087

INVESTOR RELATIONS CONTACT

Email address: ir@bjcapitalland.com.cn

H SHARE INFORMATION

	Year 2016			Year 2015		
	Price High (HK\$)	Low (HK\$)	Total Trading Volume (No. of Shares)	Price High (HK\$)	Low (HK\$)	Total Trading Volume (No. of Shares)
First Quarter	3.55	2.60	227,283,700	4.94	2.94	275,925,171
Second Quarter	3.26	2.53	203,192,700	7.39	4.46	384,604,514
Third Quarter	3.62	2.81	263,264,300	5.94	2.64	394,066,121
Fourth Quarter	3.23	2.82	155,273,300	4.10	3.07	213,371,164

Closing share price as at 31 December 2012: HK\$3.22.

Closing share price as at 31 December 2013: HK\$2.64.

Closing share price as at 31 December 2014: HK\$2.94.

Closing share price as at 31 December 2015: HK\$3.48.

Closing share price as at 30 December 2016: HK\$2.91.

Financial Highlights

FIVE YEAR FINANCIAL SUMMARY ^{NOTE 1}

(in RMB' 000 unless otherwise stated)

Year ended 31 December	2016	2015 (Restated)	2014 (Restated)	2013	2012
Revenue	20,349,404	15,994,770	10,165,843	11,320,840	9,134,054
Total profit	3,952,772	4,008,818	3,120,949	2,624,192	1,898,986
Income tax expenses	(1,074,474)	(1,022,018)	(726,694)	(710,469)	(565,323)
Net profit	2,878,298	2,986,800	2,394,255	1,913,723	1,333,663
Attributable to:					
Equity holders of the Company	2,031,862	2,079,382	1,820,267	1,522,006	1,110,925
Non-controlling interests	846,436	907,418	573,988	391,717	222,738
	2,878,298	2,986,800	2,394,255	1,913,723	1,333,663
As at 31 December	2016	2015 (Restated)	2014 (Restated)	2013	2012
Total assets	119,210,734	107,471,949	80,697,226	56,190,688	47,536,488
Total liabilities	91,645,999	81,814,364	57,916,333	39,962,204	37,533,477
Net assets	27,564,735	25,657,585	22,780,893	16,228,484	10,003,011

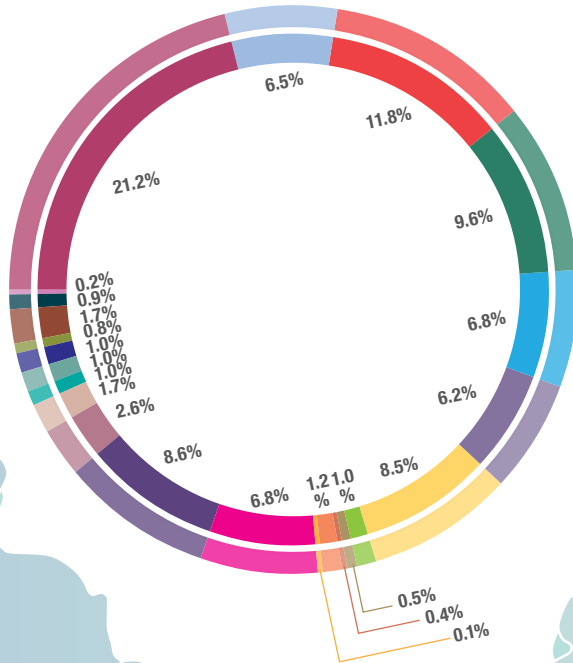
Note:

1. The table summarises the results, assets and liabilities of the Group.
2. The figures presented are prepared in accordance with Accounting Standards for Business Enterprises or CAS of PRC.
3. The Group completed the transactions of business combination involving enterprises under common control this year, and the financial information of the Group for the year ended 31 December 2015, the year ended 31 December 2014 was restated accordingly. The financial information of the Group for the year ended 31 December 2013 and the year ended 31 December 2012 was not restated. The published results and the statement of assets and liabilities may not comparable.

PROPERTY Portfolio



Property Portfolio



Beijing	Shanghai	Tianjin
Chongqing	Chengdu	Xi'an
Shenyang	Qingdao	Yantai
Wuxi	Jiangyin	Zhenjiang
Kunshan	Huzhou	Wanning
Nanchang	Hangzhou	Wuhan
Changsha	Zhengzhou	Jinan
Hefei	Australia	



Property Portfolio

HOTEL PROPERTIES

Project	Location	Type	Attributable Interest	Site Area (sq.m.)	Total GFA of Land Bank (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)
1 Holiday Inn Central Plaza	Xicheng District, Beijing	Hotel	40%	7,177	50,712	31,840
2 InterContinental Financial Street	Xicheng District, Beijing	Hotel	34%	10,658	58,161	42,900

INVESTMENT PROPERTIES

Project	Location	Type	Attributable Interest	Site Area (sq.m.)	Total GFA of Land Bank (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)
3 Fangshan Capital Outlets	Fangshan District, Beijing	Commercial	72.09%	90,766	196,494	106,891
4 Wanning Capital Outlets	Liji Town, Wanning District, Hainan Province	Commercial	55%	199,807	103,200	103,200
5 Huzhou Capital Outlets	Taihu Lake Resort, Huzhou, Jiangsu Province	Commercial	72.09%	302,693	300,496	300,496
6 Kunshan Capital Outlets	The East New Town, Kunshan, Jiangsu Province	Commercial	72.09%	93,026	100,527	100,527
7 Nanchang Capital Outlets	Nanchang, Jiangxi Province	Commercial	72.09%	86,987	158,080	158,080
8 Hangzhou Capital Outlets	Fuyang District, Hangzhou, Zhejiang Province	Commercial	72.09%	101,691	112,280	112,280
9 Wuhan Capital Outlets	East Lake High-tech Development Zone, Wuhan, Hubei Province	Commercial	71.37%	89,757	107,560	107,560
10 Changsha Capital Outlets	Xiangjiang New Area, Changsha, Hunan Province	Commercial	21.63%	71,850	112,070	112,070
11 Xi'an Capital Outlets	Xi'an Hi-Tech Industries Development Zone, Xi'an, Shaanxi Province	Commercial	72.09%	81,301	122,970	122,970
12 Zhengzhou Capital Outlets	Zhengzhou, Henan Province	Commercial	72.09%	62,622	85,000	85,000
13 Jinan Capital Outlets	Tangye New Town, Licheng District, Jinan, Shandong Province	Commercial	72.09%	114,929	129,776	129,776
14 Hefei Capital Outlets	Binhu New Area, Hefei, Anhui Province	Commercial	72.09%	87,913	96,494	96,494
15 Chongqing Capital Outlets	Lujiao New Town, Banan District, Chongqing	Commercial	72.09%	74,349	113,600	81,600
16 Lize Financial Business District	Fengtai District, Beijing	Office/ Commercial		34,822	234,656	198,649
LizeF02			50%	15,963	38,245	26,748
LizeF03			50%	18,859	196,411	171,901
17 IC Park	Haidian District, Beijing	Office/Apartment	50%	59,750	106,130	64,859
18 Haileybury International School	Wuqing District, Tianjin	School	90%	46,408	44,657	44,657
19 Sunshine Building	Xicheng District, Beijing	Office/ Commercial	35%	8,840	52,095	34,163
20 Capital Group Plaza	Dongcheng District, Beijing	Office/ Commercial	100%	7,069	48,431	35,867

Property Portfolio

PROPERTY DEVELOPMENT

Project	Project Name	Location	Type	Attributable Interest	Site Area of Land (sq.m.)	Total GFA of Land Bank Available for Sale (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)	
21	Beijing Huijialou Project	Xanadu	Chaoyang District, Beijing	Residential/Commercial	100%	34,163	60,951	44,414
22	Beijing Yuyuantan Project	The Reflections	Haidian District, Beijing	Residential	100%	17,915	1,110	903
23	Beijing Haidian Yongfeng Industrial Base Project Plot F1	Capital of Western Village	Haidian District, Beijing	Residential/Apartment/Commercial/Office	100%	65,219	152,692	119,165
24	Beijing Haidian Yongfeng Industrial Base Project Plot B2	IC Park	Haidian District, Beijing	Office/Commercial	50%	59,750	64,381	64,381
25	Haidian Taipingzhuang Project	Opus Beijing	Haidian District, Beijing	Residential/Apartment	25%	5,379	6,914	6,914
26	Beijing Lize Financial Business District Project		Fengtai District, Beijing	Office/Apartment		26,352	159,130	146,772
	LizeF02			50%	15,963	133,919	123,113	
	LizeF05	Tian Yue Mansion		100%	10,389	25,211	23,659	
27	Beijing Zhaoquanying F1-01 Project	Passion World	Shunyi District, Beijing	Apartment/Commercial	100%	27,121	5,559	5,559
28	Beijing Zhaoquanying Land No. 4 Project	Enjoyable Trees	Shunyi District, Beijing	Residential/Apartment	100%	104,345	109,530	65,099
29	Beijing Zhaoquanying Land No.2 Project	Enjoyable Bay	Shunyi District, Beijing	Residential/Apartment/Commercial	100%	114,154	140,963	90,807
30	Beijing Shunyi No. 17 Project	Xanadu Mountain	Shunyi District, Beijing	Residential/Apartment	100%	85,056	108,912	80,301
31	Beijing Zhaoquanying F02 Project		Shunyi District, Beijing	Apartment/Commercial	100%	17,277	43,657	34,757
32	Beijing Shunyi Renhe Town Project	Golden Future	Shunyi District, Beijing	Residential/Commercial	14.55%	40,669	20,015	20,015
33	Beijing Shunyi New Town Block No. 26 Project	Capital Park #26	Shunyi District, Beijing	Residential/Commercial	12.5%	88,702	101,811	87,958
34	Beijing Miyun Yunfeng Shanzhuang Project	Beijing Landscape Villa Project	Miyun District, Beijing	Residential	100%	334,855	63,446	53,689
35	Beijing Miyun New Town Project	The Happiness	Miyun District, Beijing	Residential/Commercial	100%	56,254	98,805	71,797
36	Beijing Changyang Land No.4 Project	Novotown	Fangshan District, Beijing	Residential/Commercial	100%	90,389	7,122	4,691
37	Beijing Fangshan Gaojiao Park Project	Nobles Mansion	Fangshan District, Beijing	Residential/Apartment/Commercial	100%	56,138	86,767	59,472
38	Beijing Huang Xin Zhuang Project	Ealing	Fangshan District, Beijing	Residential	95%	114,166	143,260	105,337

Property Portfolio

Project	Project Name	Location	Type	Attributable Interest	Site Area of Land (sq.m.)	Total GFA of Land Bank Available for Sale (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)	
39	Beijing Daxing Sun Village Project	Enjoyable City	Daxing District, Beijing	Residential/Apartment/Commercial	100%	61,512	52,217	48,306
40	Beijing Daxing Huang Village Project		Daxing District, Beijing	Apartment/Commercial	100%	84,213	186,301	134,479
41	Shanghai Songjiang Project	Time Flowing In Villa	Songjiang District, Shanghai	Residential/Commercial	100%	65,239	26,190	15,472
42	Shanghai Yingpu Street Community Project	The Happiness	Qingpu District, Shanghai	Residential/Commercial	100%	129,484	219,378	158,920
43	Shanghai Qingpu Xujing Project		Qingpu District, Shanghai	Residential	100%	17,048	17,880	17,505
44	Shanghai Yangpu Pingliang Project	Capital of Vision	Yangpu District, Shanghai	Residential/Commercial/Office	100%	32,360	104,831	85,362
45	Shanghai Zhoupu Project		Pudong New Area, Shanghai	Residential	51%	69,433	136,337	121,317
46	Shanghai Xinchang Project		Pudong New Area, Shanghai	Residential	50%	56,887	94,659	66,828
47	Shanghai Jiading Project	The Great City	Jiading District, Shanghai	Residential/Commercial	60%	123,090	124,846	95,296
48	Shanghai Yongfeng Street Community 30-02	The Mansion	Songjiang District, Shanghai	Residential/Commercial	28%	18,932	1,130	0
49	Shanghai Yongfeng Street Community 40-05	Oriental Glorious Yard	Songjiang District, Shanghai	Residential/Commercial	28%	26,983	1,183	0
50	Tianjin Shuangang 121 Project	Fortune Class	Jinnan District, Tianjin	Residential/Apartment/Commercial/Office	55%	255,038	90,418	84,225
51	Tianjin Shuangang 122 Project	Tianjin A-Z Town	Jinnan District, Tianjin	Residential	55%	183,511	8,072	196
52	Tianjin Huaming Project	Noble City	Dongli District, Tianjin	Residential/Apartment/Commercial	40%	271,830	70,800	70,800
53	Tianjin Xiqing Project	Landing House	Xiqing District, Tianjin	Residential/Office	40%	151,596	17,100	17,100
54	Tianjin Hongni River Project	Tianjin Capital City	Jinnan District, Tianjin	Residential/Commercial	100%	257,093	181,380	77,266
55	Tianjin Lishuang Road Project	Amicable Mountain	Jinnan District, Tianjin	Residential	100%	108,344	60,504	35,729
56	Tianjin Beiyunhe Project	Grand Canal Milestone	Hebei District, Tianjin	Residential/Apartment/Commercial	100%	62,817	228,463	139,545
57	Tianjin Zhongshanlu Project	Metropolis	Hebei District, Tianjin	Residential/Commercial/Office	100%	22,455	121,554	94,554
58	Tianjin Xinzhuang No. 5 Project	Poetic Life	Jinnan District, Tianjin	Residential	100%	82,164	94,070	94,070
59	Tianjin Hongxianli Project	North Shore Center	Hongqiao District, Tianjin	Residential/Commercial/Office	25%	106,920	188,325	188,325

Property Portfolio

Project	Project Name	Location	Type	Attributable Interest	Site Area of Land (sq.m.)	Total GFA of Land Bank Available for Sale (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)	
60	Tianjin Wuqing Project	International Peninsula	Wuqing District, Tianjin	Residential/Commercial/Office	100%	860,357	202,566	202,566
61	Chongqing Hongensi Project	Hong'en International Living District	Jiangbei District, Chongqing	Residential/Commercial	100%	229,314	99,498	12,461
62	Chongqing Xiyong Project	Chongqing Eco Village	Shapingba District, Chongqing	Residential/Apartment/Commercial	100%	146,394	146,547	42,166
63	Chongqing Jialingchang Project	Chongqing Capital City	Shapingba District, Chongqing	Residential/Commercial	20.73%	218,303	696,718	504,958
64	Chengdu Jianshe Road Project	Chengdu A - Z Town	Chenghua District, Chengdu, Sichuan Province	Residential/Commercial	100%	68,270	2,041	380
65	Chengdu Shengli Village Project	Chengdu First City	Chenghua District, Chengdu, Sichuan Province	Residential/Commercial	100%	78,171	16,958	15,727
66	Chengdu Beiwan Road Project	Città Villa	Longquanyi District, Chengdu, Sichuan Province	Residential/Commercial	55%	75,019	50,708	152
67	Chengdu SCE Project	Wanjuan Shan	Longquanyi District, Chengdu, Sichuan Province	Residential/Commercial/Office	55%	106,786	107,595	39,846
68	Chengdu Qinglongchang Project	Chengdu Eco Village	Chenghua District, Chengdu, Sichuan Province	Residential/Commercial	100%	87,312	208,208	135,210
69	Chengdu Huaxin Village Project	Galaxy No.1	Jinjiang District, Chengdu, Sichuan Province	Residential/Commercial	22.5%	95,663	161,986	89,302
70	Chengdu P.O. Box 68 Project	The Place No.68	Chenghua District, Chengdu, Sichuan Province	Residential/Commercial	40%	50,836	208,739	159,215
71	Xi'an Feng-cheng Road Project	Xi'an First City	Xi'an Economic and Technology Development Zone, Shaanxi Province	Residential/Commercial/Office	72.09%	355,909	564,183	343,938
72	Shenyang Shenyang Road Project	Shenyang First City	Hunnan New District, Shenyang, Liaoning Province	Residential/Apartment/Commercial	30%	175,348	82,531	51,947
73	Shenyang Yinhe Wan Project	Qipan Hills First Villa	Qi Pan Shan District, Shenyang, Liaoning Province	Residential/Commercial	50%	420,317	353,754	338,554
74	Shenyang Shenzhong Street Project	Shenyang Eco Village	Hunnan New District, Shenyang, Liaoning Province	Residential/Commercial	100%	194,249	504,922	425,696
75	Qingdao Chengyang Project	Airport International Centre	Chengyang District, Qingdao, Shandong Province	Commercial/Office	100%	92,455	91,157	91,157
76	Qingdao Central Park No. 1 Project	Qingdao Central Park No. 1	Chengyang District, Qingdao, Shandong Province	Residential/Apartment/Commercial	100%	81,016	18,165	18,165
77	Qingdao Yangbuzhai Project	Qingdao Central Park No.1 • East Park	Chengyang District, Qingdao, Shandong Province	Residential/Commercial	100%	38,805	788	788

Property Portfolio

Project	Project Name	Location	Type	Attributable Interest	Site Area of Land (sq.m.)	Total GFA of Land Bank Available for Sale (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)	
78	Qingdao Qianqianshu Project	Sunny Xiangmi Lake	Licang District, Qingdao, Shandong Province	Residential/Commercial	100%	113,974	377	377
79	Yantai Sunny Chief Yard Project	Yantai Sunny Chief Yard	Fushan District, Yantai, Shandong Province	Residential/Commercial	100%	195,609	58,683	58,683
80	Zhenjiang National University Science Park Project	Joyous House	Zhenjiang Technological Development Zone, Jiangsu Province	Residential/Commercial	100%	111,364	16,496	16,493
81	Kunshan Jinxi Project	Kunshan Eastern Mystery	Jinxi Town, Kunshan City, Jiangsu Province	Residential/Commercial	51%	550,037	264,784	264,784
82	Wuxi Dongting Town Project	Wuxi Gentle House	Xishan District, Wuxi, Jiangsu Province	Residential/Commercial	100%	162,911	21,911	16,336
83	Wuxi Jichang Road Project	Wuxi Joyous House	Wuxi New District, Jiangsu Province	Residential/Commercial	100%	96,598	19,229	2,007
84	Jiangsu Jiangyin Yuyue Project	Jiangyin Auspicious House	Yushan Bay, Jiangyin, Jiangsu Province	Residential/Commercial	100%	78,258	136,490	122,109
85	Huzhou Renhuangshan Project	Joyous House	Renhuangshan District, Huzhou, Zhejiang Province	Residential/Commercial	55%	53,865	14,914	9,457
86	Huzhou Taihu Project	Huzhou Integrated Outlets Project	Taihu National Tourism Vacation Zone, Huzhou, Jiangsu Province	Residential/Commercial	100%	580,986	643,039	589,951
87	Hainan Wanning Project	Hainan Integrated Outlets Project	Liji Town, Wanning, Hainan Province	Residential/Apartment/Commercial		440,415	184,407	184,407
	1 Plot			55%	94,355	41,438	41,438	
	2 Plot, 3 Plot			55%	157,546	4,980	4,980	
	5 Plot, 6 Plot			100%	188,514	137,989	137,989	
88	Kunshan Capital Outlets Project	Kunshan Integrated Outlets Project	The East New Town, Kunshan, Jiangsu Province	Residential/Apartment/Commercial	100%	354,912	388,449	388,449
89	Nanchang Capital Outlets	Nanchang Capital Outlets	Nanchang, Jiangxi Province	Commercial	72.09%	86,987	32,560	32,560
90	Jinan Capital Outlets	Jinan Capital Outlets	Tangye New Town, Licheng District, Jinan, Shandong Province	Commercial	72.09%	114,929	53,871	52,866
91	Chongqing Capital Outlets	Chongqing Capital Outlets	Lujiao New Town, Banan District, Chongqing	Commercial	72.09%	74,349	15,000	15,000
92	Project Carlingford, Australia	Lexington	Sydney, Australia	Residential	50%	23,482	8,881	8,881
93	Project Arden, Australia	Jade & Panorama	Brisbane, Australia	Residential	50%	16,409	10,411	10,411
						11,120,614	8,922,199	

Property Portfolio

Notes:

1. Information stated in table is updated as at 31 December 2016.
2. Site Area is based on the latest land use right certificates or land transfer contracts.
3. Total GFA of Land Bank refers to GFA where contract was yet to be signed and is based on the latest obtained documents or the Company's latest planning.
4. Total Saleable GFA of Land Bank refers to the GFA above the ground where contract was yet to be signed and is based on the latest obtained documents or the Company's latest planning.

Corporate Milestones during the Year



In March, BCL hosted a press conference in Beijing to outline the Company's strategy for the year. In the conference, themed "Build with Heart," BCL announced for the first time its brand development strategies for its "Tian Yue" series of high-end residential projects and unveiled its roadmap in Beijing. Based around four key concepts, namely "Capital City Builder, Innovator, Pioneer, Leader," BCL demonstrated that it is fully committed to developing the Beijing market and announced that it will launch four new flagship projects in Beijing and Shanghai.

In May, BCL successfully acquired a plot of land in Huang Village, which is in the Daxing District of Beijing. The land is located in the core commercial area of the district and has convenient access to public transportation. It is close to the Beijing-Kaifeng Expressway and the Qingyuan Road station on Metro Line No. 4. There are many well-established ancillary facilities near the project, ranging from education and healthcare to commercial facilities, which further strengthens the value of the location. With a planned ground construction area of 134,000 sq.m., the project aims to provide both commercial property space with functional design and apartments for homeowners looking to upgrade.

April 2016

March 2016

In April, China Chengxin Securities Rating Company Limited raised BCL's corporate credit rating to AAA and affirmed a stable outlook. The rating upgrade reflects the rapid growth of the Company, the significant decrease in the Company's financing costs and the Company's progress in equity financing. Going forward, this new rating will play an important role in further reducing the Company's financing costs and optimizing its capital structure.

In April, BCL successfully issued the first tranche of private placement corporate bonds of the year. With an aggregate amount of RMB3 billion, the bonds consisted RMB700 million with a maturity of 2+1 years at a coupon rate of 4.0%, and RMB2.3 billion with a maturity of 3+2 years at a coupon rate of 4.2%.



June 2016

May 2016

In June, BCL successfully acquired the Zhoupu Project in Pudong New Area, Shanghai through cooperative development. Located in the west of Zhoupu town center and adjacent to Zhoupu's core business area, it is ideally situated as it is close to the Zhoupu station on Line No. 18 of the Shanghai Metro. The project has a planned GFA of approximately 125,000 sq.m. and primarily aims to provide property for high-end homebuyers who are looking to upgrade.

In June, BCL also launched the first phase of its "Capital Center — Tian Yue Mansion" project. "Tian Yue Mansion," built under the Company's "Build with Heart" concept, is the first of BCL's "Tian Yue" series of high-end projects and is located in a key area of the Lize Financial District around the West 2nd Ring Road, Beijing. BCL recorded RMB1.2 billion of sales on the first day the project was put on market, representing a sell-through rate of over 90%, and the project has become a new benchmark in Beijing's high-end apartment market.



Corporate Milestones during the Year



In July, BCL successfully issued its third tranche of private placement corporate bonds of the year. With an aggregate amount of RMB3 billion, the bonds consisted RMB1 billion with a maturity of 3+2 years at a coupon rate of 3.84%, and RMB2 billion with a maturity of 2+1 years at a coupon rate of 3.71%. This not only marked the lowest financing cost ever for BCL, but was also a record low coupon rate compared with other similar bonds issued in the same category in the market.

In August, BCL successfully acquired the Yingpu Street 37-02 Project in Qingpu District, Shanghai. The project is easily accessible as it is adjacent to Metro Line No. 17 and is close to the exits of both the Shanghai-Chongqing Expressway and the Shanghai Suburb Ring Expressway. It also has great access to well-established ancillary facilities, including the Wanda Plaza and existing amenities in Qingpu old town. It has a planned aboveground GFA of 61,000 sq.m.

July 2016

In July, the acquisition of Capital Group's four quality projects in Beijing, Chongqing and Shenyang was approved at BCL's shareholder meeting. By strategically replenishing BCL's prime land bank in core cities, this transaction demonstrates Capital Group's firm commitment to support BCL.

In July, the injection of three existing outlet projects in Fangshan, Huzhou and Kunshan into BCL's subsidiary, Capital Juda (Stock Code: 1329 HK), was approved at BCL's shareholder meeting. The transaction will allow BCL to operate and manage its outlet projects in a consistent manner, and propel Capital Juda to become "The Top Integrated Outlet Operator in China".



November 2016

In November, the Company successfully submitted its A-share listing application to the China Securities Regulatory Commission (CSRC), and it was officially accepted. The application draft of the A-share prospectus has been pre-disclosed on the CSRC's website. The proposed A-share IPO is expected to optimize the Company's capital structure and sharpen its competitiveness.

In November, Capital Juda, a subsidiary of BCL, announced that Sino-Ocean Group and KKR will jointly invest in Capital Juda. Sino-Ocean Group and KKR have agreed to subscribe to Capital Juda's new ordinary shares and perpetual convertible bond securities for a total consideration of approximately HKD1,477 million. The joint investment is expected to help further expand and grow Capital Juda's outlets business.

August 2016



December 2016

In December, BCL successfully acquired the Gao Village Project in Wuqing District, Tianjin, which is situated on the central development axis of the Beijing-Tianjin metropolitan area. The project is expected to benefit from the "one-hour intercity commuting circle" and has a planned aboveground GFA of 175,000 sq.m.

In December, BCL held its inaugural annual supplier conference in Beijing. The event was attended by hundreds of supplier representatives. With a theme of "Work Together and Achieve Win-Win," the conference encouraged high quality craftsmanship and corporate social responsibility when building projects, and also highlighted the Company's win-win approach. At the conference, BCL published its "Zero Water Seepage" white paper and also hosted the "2016 — 2018 Contractor Strategic Cooperation Agreement" signing ceremony.

Chairman's Statement



Mr. Li Songping
Chairman

Dear Shareholders,

On behalf of the Board of Directors (the “Board”) of Beijing Capital Land Ltd. (“BCL” or the “Company”; together with its subsidiaries, the “Group”), I am pleased to present the Group’s annual results for the year ended 31 December 2016.

In 2016, the global economy, and in particular many developed economies, continued to experience muted growth, and a trend of deglobalization began to emerge. Growth in the US fell short of expectations and the Federal Reserve raised interest rates cautiously at the end of the year. In the Eurozone, growth also remained slow and uncertainties relating to Brexit and reforms across the Eurozone mounted. In contrast, many emerging markets witnessed improved economic growth, but signs of divergence among different countries remained evident. During the year, China’s economy maintained stable growth as its GDP expanded at an annual rate of 6.7%. Efforts were made to effectively promote supply-side structural reforms and appropriately deal with financial risks. These measures steadily enhanced the quality of economic growth, signaling a good start for the 13th Five-year Plan period.

Chairman's Statement

In the property market, property transaction volume in China hits new highs, though increasing signs of divergence among cities emerged. During the first three quarters, driven by factors including a relative easing of monetary policy and the launch of the new two-child policy, transaction volumes gradually picked up, housing prices in some popular cities accelerated, and land prices climbed accordingly. During the fourth quarter, as the majority of popular cities intensively rolled out tightening policies for the property market, transaction volumes declined due to the tighter market environment. The property market in first-tier cities and popular second-tier cities recovered, with transaction volumes and prices increasing as the demand among consumers to upgrade their living situation continued. Destocking remained the key focus in most third- and fourth-tier cities and helped ease inventory pressure to some extent, which helped to stabilize property prices.

2016 was the third year of BCL's strategic five-year plan. During the year, the Group adopted "achieving quality growth" as its core vision and stepped up its efforts to balance transaction volumes and transaction prices. The Group was able to successfully increase both by taking advantage of favorable market conditions in popular cities. The Group recorded total contracted sales of RMB45.51 billion, an increase of 40% year-over-year, setting a new record in terms of the scale of contracted sales. The average selling price was RMB20,000 per square meter, an increase of 72.3% year-over-year. Total contracted sales in Beijing, Tianjin and Shanghai increased 61.9% year-over-year to RMB33.79 billion, accounting for 74.2% of the total. The strong performance overall demonstrates the effectiveness of the Group's strategy of focusing on central cities and resources.

In 2016, the Group continued to focus on its five core cities in China, and Australia for land investments, and mainly concentrated on building projects for homeinterests who are looking to upgrade their living situation in core cities. The Group made RMB18.1 billion of land investments, of which, Beijing, Tianjin and Shanghai accounted for 88.7%, or RMB16.05 billion, which helped to further replenish BCL's prime land bank in core cities. Meanwhile, supported by Capital Group, the Company acquired two more primary land development projects, namely the second phase of the Beijing Hujialou Project and the Pinggu Bai Ge Zhuang Project (including a shantytown renovation project), which lay a solid foundation for the Company to add superior land bank in the future. During the year, the Company entered the Brisbane market, the third most populous city in Australia, through a joint venture with Brisbane's renowned property developer, the Arden Property Group. The project was put on the market in 2016 and recorded total contracted sales of approximately RMB1.14 billion.

Chairman's Statement

During the year, the Group set out to “achieving quality growth” by effectively improving product quality and internal management capabilities. The Group won wide recognition in the market for rolling out a product strategy called, “Build with Heart”, which was instrumental in the successful construction of the high-end “Tian Yue” product line and in pushing forward the establishment of standardized products. In an effort to become a fully customer-centric business, the Group has built up its own property management brand, which now oversees an aggregated area of over 10 million square meters and has helped to effectively improve overall customer satisfaction. The Group continued to exercise tight cost control and accelerate the implementation of a centralized strategic procurement system, which contributed to significant cost savings when purchasing materials. Currently, more than 75% of the Group's projects are covered by this system.

During the year, the Group's Outlets business line entered a new stage of development. With five newly acquired outlets projects as at January 2017, the Group's outlets business line currently covers 13 cities and ranks No.1 nationwide in terms of number of outlet projects, laying a solid foundation to become “The Top Integrated Outlets Operator in China”. The Group's four outlets that are already in operation generated annual turnover of RMB2.4 billion in 2016, an increase of 17% year-over-year, and formed strategic partnerships with more than 100 brands. During the year, Capital Juda announced that Sino-Ocean Group and KKR agreed to subscribe for Capital Juda's ordinary shares and perpetual convertible bond securities for a total consideration of approximately HKD1,477million. With rich industry experience and extensive resource advantages, these two investors are expected to help further expand the Group's outlets business.

In 2016, the Group successfully submitted an A-share listing application to the CSRC. The Group also took advantage of favorable opportunities driven by the abundance of liquidity to effectively lower its funding costs. In 2016, BCL successfully issued private placement corporate bonds with an aggregate principal amount of RMB10 billion at an average coupon rate of 4.04%. China Chengxin Securities Rating Company also raised BCL's corporate credit rating to AAA and affirmed a stable outlook, which supports the Group's efforts to further reduce its financing costs.

Chairman's Statement

Looking forward 2017, the Group will continue to adopt “achieving quality growth” as its core vision and will remain deeply focused on securing high quality resources. Taking advantage of the country's Beijing-Tianjin-Hebei integration, the Group will leverage integrated and diversified channels to acquire land resources, and aggressively develop its business in primary land development and shantytown renovation. The Group will focus on the execution of its “Made by BCL 2020” strategy, which revolves around crafting the highest-quality projects, catering to customer demand, and supporting the property management business. The Group will accelerate its outlets business development and integrate its leading international business resources through joint ventures. BCL will also proactively push forward its A-share IPO plan in order to improve the funding platform of the Group. The Group will also make efforts to control debt levels, diversify financing channels, reduce funding costs, and optimize financial structure.

On behalf of the Board, I would like to express our sincerity to all of our shareholders, partners, and customers for your long-term care, support, and help. BCL will remain committed to transformation and innovation, continue to enhance its competitive advantages, and strive to become China's most valuable integrated property developer.

Li Songping

Chairman

Hong Kong, 20 February 2017

Management Discussion and Analysis



Mr. Tang Jun
President

BUSINESS REVIEW

In 2016, the Group's revenue totaled RMB20,349,404,000, representing an increase of 27% compared with the previous year. Operating profit increased 2% year-over-year to RMB3,828,663,000. Net profit attributable to interests of the Company totaled RMB2,031,862,000, representing a decrease of 2% compared with the previous year, but increased by 3% as compared to the 2015 net profit attributable to interests of the Company before restatement. Basic earnings per share (EPS) totaled RMB0.67, compared with RMB0.95 in 2015. The Board resolved to recommend the payment of a final dividend for the year ended 31 December 2016 of RMB0.20 per share (2015: RMB0.20 per share).

During the year, BCL continued to execute its five-year strategy, and adhered to its mission of "achieving quality growth". These efforts enabled the Group to a higher level in terms of operating performance and to realize significant breakthroughs in many areas.

Management Discussion and Analysis

Set record for contracted sales, and cultivated both primary and secondary land development opportunities

- ✓ During the year, the Group endeavored to cater to the growing market demand, maintained a balance of sales volume and price, and ensured that projects from new investment projects in core cities were all launched for sale. The Group placed substantial emphasis on building its high-end product line, successfully launched its “Tian Yue” series of projects and redeveloped its “Xi Rui” series of projects. As a result of these successful efforts, the Group recorded total contracted sales of RMB45.51 billion, an increase of 40% year-over-year. Contracted sales from the Group’s five core cities and Sydney accounted for 95% of the total sales. The average sales price rose a substantial 72.3% year-over-year to RMB20,000/sq.m., which demonstrates the Group’s successful efforts to follow through on its strategy of securing “quality growth”.
- ✓ During the year, the Group successfully acquired several primary land development projects, including the Hujialou shantytown renovation project and the Pinggu Daxingzhuang primary land development project. The Hujialou shantytown renovation project sits in the central business district (CBD) of Beijing, and features a large site of land. This project has been the most important breakthrough for the Group’s primary land development business in recent years, and is expected to become one of the Group’s best core projects. In the meantime, the Group continued to focus on secondary land investments in five core cities and made new land investments of GFA 1.66 million sq.m. for an aggregate amount of RMB18.1 billion, of which, Beijing, Tianjin and Shanghai accounted for 89%.

Maintained customer-centric focus and improved overall product and service quality

- ✓ During the year, the Group maintained its customer-centric focus throughout the business to improve product quality. Relying on a strategic centralized procurement platform and a standardized product platform, the Group further upgraded its standards for product quality and cost control across all construction projects, interior decoration, and raw material procurement.
- ✓ During the year, BCL focused on building its own property management system to improve the quality of its property services. The Group leveraged China Vanke Co., Ltd.’s (“Vanke”) property management brand and formed a joint venture. This joint venture successfully obtained its national first-class qualification, a significant breakthrough in property management. It has more than 40 projects with more than 10 million square meters under management, making it one of the top 10 biggest property management companies in Beijing.

Management Discussion and Analysis

Realized stable growth in outlets business, accelerated expansion and integration of outlet projects

- ✓ During the year, the Group's opened outlets projects, Fangshan, Wanning, Huzhou and Kunshan, recorded steady growth and generated annual turnover of nearly RMB2.4 billion, an increase of 17% year-over-year. Annual foot traffic reached 19 million, an increase of 22% year-over-year.
- ✓ As at January 2017, Capital Juda, the commercial property development platform of the Group, acquired five more lands in Xi'an, Zhengzhou, Jinan, Hefei and Chongqing from the open market to develop outlets projects. The Group also successfully injected its Fangshan, Huzhou and Kunshan Outlet projects into Capital Juda. The Group was the largest operator of outlet projects in China with 13 in total nationwide.

Proceeded steadily with debt financing platform, and made progress on A-share listing and red-chip platform

- ✓ During the year, the Group successfully earned its first domestic AAA rating, the highest investment grade rating in China, from China Chengxin Securities Rating Company. This should help to set a solid foundation for the Group to further lower its financing costs. During the year, the Group continued to take advantage of favorable market conditions and successfully issued private placement corporate bonds totaling RMB10 billion, with an average coupon rate of only 4.04%. This was more than 65 basis points lower than the rate the Group secured for similar bonds issued last year. In particular, the third tranche of the offering was issued at a coupon rate of 3.71% for a maturity of 2+1 years. This not only marked the lowest financing cost ever for BCL, but was also a record low coupon rate compared with other similar bonds issued in the same category in the market.
- ✓ During the year, the Group successfully submitted its A-share listing application to the CSRC, which marks a major milestone in the Group's process of listing on the A-share market.
- ✓ During the year, Sino-Ocean Group and KKR made a strategic investment totaling HKD1.47 billion in Capital Juda, the Group's red-chip listing platform. This large investment marks a significant vote of confidence from such renowned international investors and substantially bolsters the Group's capital structure and diversifies its shareholder base. It should also help improve Capital Juda's corporate governance and strengthen its ability to attract international attention and important business resources. All in all, the investment will provide a solid foundation for the future development of the Group's outlets business.

Management Discussion and Analysis

PROPERTY DEVELOPMENT

In 2016, The Group, together with its joint ventures and associated companies, completed a total GFA of approximately 3.40 million sq.m.

Project	Approximate Completed GFA (sq.m.)	Type	Attributable Interest
Beijing Landscape Villa	44,130	Residential	100%
Beijing Passion World	26,474	Commercial	100%
Enjoyable City	134,751	Residential	100%
Enjoyable River	175,413	Residential	100%
Shanghai Time Flowing In Villa	109,162	Residential	100%
Tianjin International Peninsula	505,517	Residential	100%
Tianjin Fortune Class	21,909	Commercial	100%
Tianjin Capital City	424,788	Residential	100%
Amicable Mountain	210,657	Residential	100%
Tianjin Grand Canal Milestone	144,350	Residential	100%
Chongqing Eco Village	119,931	Residential	100%
Chongqing Capital City	275,024	Residential	20.73%
Chengdu Eco Village	227,847	Residential	100%
Xi'an First City	130,666	Residential	72.09%
Shenyang Yinhe Wan Project	17,618	Residential	50%
Shenyang Eco Village	259,422	Residential	100%
Qingdao Central Park No. 1	25,674	Commercial	100%
Yantai Sunny Chief Yard	134,724	Residential	100%
Huzhou Capital Outlets-Residential	76,312	Residential	100%
Kunshan Eastern Mystery	35,653	Residential	51%
Kunshan Capital Outlets-Commercial	50,412	Commercial	72.09%
Kunshan Capital Outlets-Residential	162,079	Residential	100%
Hainan Capital Outlets-Residential	82,665	Residential	55%
Total	3,395,179		

Management Discussion and Analysis

MAIN PROJECT EXHIBITION

BEIJING

Capital of Western Village, Beijing

The project is located in the center of Yongfeng Industrial Base, north of Zhongguancun, Haidian District, Beijing. It is an advanced, cutting-edge masterpiece that overlooks 80,000 sq.m. of green landscape and parks nearby, 50,000 sq.m. of community scenery, which features 270° panoramic landscape design and building separation of nearly 100 metres. The community includes a famous international bilingual kindergarten which provides professional international education. The project is also equipped with some 2,000 sq.m. of clubs and ancillary facilities that cover fitness, health care, leisure and restaurants.

Planned project total GFA: approximately 291,000 sq.m.



Capital Center, Beijing

The project is located at the center of Beijing's Lize Financial Zone, between West 2nd Ring Road and West 3rd Ring Road. It is adjacent to Beijing West Railway Station, Beijing South Railway Station and metro line No.14 and No.16. It is also the starting point of the Beijing-Kaifeng Expressway and the Beijing-Hong Kong-Macau Expressway. The project is positioned as a "Financial Satellite City, The Best in Lize" to provide modern enterprises with an efficient and comfortable office environment while accommodating a series of lifestyle services, including shopping, entertainment and casual activities. The project serves as the central landmark complex in Lize Financial District.

Planned project total GFA: approximately 520,000 sq.m.



Management Discussion and Analysis

Beijing • Xanadu Villa



The project is located in the north center of the Shunyi Central Villa District in Beijing. It is adjacent to the exit of the Beijing-Chengde Expressway, a 25-minute drive from the North 3rd Ring Road. The project is surrounded by renowned elite education institutions that provide a well-coordinated 15-year education system, including famous kindergartens and Niulanshan First Secondary School. The project also has 80,000 sq.m. of top commercial facilities to help create a perfect villa experience. It will be a low-density garden villa district consisting of thousands of villas when complete.

Planned Project total GFA: approximately 96,000 sq.m.

Beijing • Xanadu



Located 50 meters north from the new CCTV tower, Xanadu is in close proximity to the Mandarin Hotel and Media Park. It is one of the Company's landmark projects of luxury residency in the CBD following the success of the Beijing Yintai Centre and Golden Terrace.

Project total GFA: approximately 130,000 sq.m.

SHANGHAI

Shanghai • Capital Of Vision



The Project is located in the Bund in the eastern Yangpu district, only 2.6 kilometers away from Lujiazui. It is positioned as a high-end project for first-time owner-occupier buyers and those looking for upgrades, and also includes Grade A office building. The project enjoys a premier location in the Inner Ring with a convenient transportation network, near metro Line No.4, No.12, and Daliang Road Tunnel. It has easy access to a complete set of supporting facilities including medical, education and business. This project will generate value for the surrounding areas, highlighting the Yangpu CBD and the riverside mansion.

Planned project total GFA: approximately 119,000 sq.m.

Management Discussion and Analysis

Shanghai • The Happiness

The project is located at the center of Qingpu New City, and is characterized by small-sized buildings, with neoclassic style architecture providing a broad view of the large surrounding area through a unique south-north design. As BCL's new masterpiece in Shanghai, the project's distinctive terrace as well as its threebay, south-facing apartments will present residents in Qingpu with a different life experience.

Planned project total GFA: approximately 100,000 sq.m



Shanghai • Time Flowing In Villa

Time Flowing In Villa is located at the center of Songjiang District. The project is known for its meticulous scientific layout, and the segmentation design guarantees a high unit efficiency rate with comfortable housing conditions. The extra-wide apartments recording at a width of 13.6-meters exemplify the concept of "life +". The project is surrounded by many convenient supporting facilities, including schools, city business centers, hospitals and entertainment facilities.

Planned project total GFA: approximately 140,000 sq.m.



TIANJIN

Tianjin • Poetic Life

The project is located on the extension of Dagu South Road in Jinnan District, Tianjin. The project highlights great upside potential for its prime location, being adjacent to the Tianjin-Tanggu Expressway as well as connected to the Outer Ring Road straight to central areas, alongside the planned extension of metro line No.1, metro line No. 6 and metro line Z1 running through this area. The project portraits a leisure lifestyle as well as the uniqueness of the low-density, high-end residential community.

Planned Project total GFA: approximately 187,000 sq.m.



Management Discussion and Analysis

Tianjin • Metropolis



The project is located in the core inner ring area of Tianjin city and is positioned as an urban core complex that sits above the metro station. It is right next to the Zhongshan Road Station along metro line No.3 and this will be a transfer station for metro line No. 7 in the future. With convenient access to the transportation network, the project is surrounded by a number of schools, hospital, park and other supporting facilities, and is a location with a fairly high integrated value.

Planned Project total GFA: approximately 180,000 sq.m.

Tianjin • Grand Canal Milestone



Located in the inner ring core area of Tianjin city, the project demonstrates BCL's strategic focus on core cities and core areas. The land plot is adjacent to Tianjin West Railway Station and the Bei Yunhe. The project is located above the metro line No. 6, and is an extraordinary location with high integrated value.

Project total GFA: approximately 332,000 sq.m.

Tianjin • Capital City



The project is adjacent to the Tianjin-Tanggu Expressway, next to Lishuang Road, and to the south of the Airport South extension line. As another residential community benchmark built by BCL in southern Tianjin, this project benefits from the educational resources of Tianjin Haihe Education Park and the development vibe of the industrial and technological zone nearby. This project highlights the comfort of a high-quality neighborhood with excellent views along the beautiful Hongni River.

Project total GFA: approximately 480,000 sq.m.

Management Discussion and Analysis

Tianjin • International Peninsula

The International Peninsula is one of the most important strategic projects of the Company. A substantial amount of effort has been put into constructing this metropolitan residential community. Preliminary ideas were developed with the help of the world-class construction company, Atkins Ltd., which contributed the idea of building a low density property project which contains private houses with gardens, small scale high-rise apartments, and properties for education, commerce, finance, medicine, parks and urban facilities.

Project total GFA: approximately 2 million sq.m.



CHENGDU AND CHONGQING

Chongqing • Capital City

Located in the core urban functional area in Shapingba District, Chongqing, the project is designed to be a large-scale integrated property that constitutes of residential and community commercial properties. It is a 10-minute walk away from surrounding top business areas, such as Shapingba Business District, Ranjiaba Business District, Jiuchongjin Commercial Street and New Century Supermarket.

Planned Project total GFA: approximately 850,000 sq.m.



Chongqing • Eco Village

This is the Company's first "Eco Village" project. It is located in the Xiyong core business area, one of the six parks of the Chongqing urban zone and one of the five new biggest business districts. The Eco Village is surrounded by the Xiyong Micro-electronic Industrial Park, a tax free port and universities, all of which have been strategically developed by the country. It is a prominent location with convenient transportation. The Company has integrated LOFT, SOHO apartments, high rises and commercial streets in this area in order to build up a one-stop international life style for the youths in this new area.

Project total GFA: approximately 490,000 sq.m.



Management Discussion and Analysis

Chengdu • Eco Village



Chengdu Eco Village is located in Chenghua District of Chengdu and sits at the central area of the renovation project of North Chengdu, which will be the north park of the urban zone. With a people-oriented design, the project incorporates residential properties, commercial properties and a kindergarten into a 131-mu leisure space. The project design follows a Southeast Asian leisure style and it is the first garden of this kind in Chengdu that highlights its interactive and creative landscape.

Planned Project total GFA: approximately 379,000 sq.m.

Chengdu • Wanjuanshan



Chengdu Wanjuanshan is located on the extension line of Dongdajie in the Chengdong Financial Centre of Chengdu. It is adjacent to Yidu Road, Chenglong Road and the extension of metro line No. 2, which opened for passengers in 2013. The project has a view of the Chenglong Campus of Sichuan Normal University, and the Sichuan Normal University is right at its south. It is also surrounded by unique natural resources including the Sansheng Flower Garden and Swan Lake.

Project total GFA: approximately 540,000 sq.m.

INTEGRATED OUTLETS PROJECT

Beijing • Integrated Outlets Project



The project is located in Changyang Town, Fangshan District, Beijing. It is in close proximity to Changyang West Station of the Fangshan line on the intercity railway and is only a 30-minute drive from Financial Street in Beijing via the Beijing-Shijiazhuang Expressway. This is a representative project of the Group's integrated Residential + Outlet business line in Beijing, featuring discount stores for world renowned brands.

Project total GFA: approximately 340,000 sq.m.

Management Discussion and Analysis

Hainan • Integrated Outlets Project

The project is located in Wanning city in the eastern part of Hainan, an island province which is an international tourist destination. Wanning is a coastal city in Southern China, and is surrounded by the South China sea, Qiongzong, Lingshui and Qionghai, with rich natural resources in close proximity. It is an international tourism and cultural district in a unique natural environment with shopping and tourist attractions.

Project total GFA: approximately 310,000 sq.m.



Huzhou • Integrated Outlets Project

Situated at the center of the southern Taihu Lake tourist district, the project is surrounded by the Taihu Lake, Changdougang, and Meixi Road. Binhu Road runs through the whole project. One of the main special features is that it is equipped with outlets, luxurious five star hotels and high end villas. The residential part will be built in the style of a small European town, which includes private villas, townhouses, houses with gardens and lake-view apartments. Tuscan style villas will be built in a natural setting which is rich in water resources to create a waterfront area, catering towards high-end purchasers.

Project total GFA: approximately 920,000 sq.m.



Kunshan • Integrated Outlets Project

The project is located at the south-east corner of the East New Town of Kunshan City, alongside the South High Technology Enterprise Park. This region has a large customer base and market demand. This project is BCL's first debut in Kunshan. Approximately 180,000 sq.m. of this project's site area will be occupied by commercial buildings such as outlets, and there will be some sidewalk shops. It has a near 40% green space ratio with ART DECO style to express elegance and a sense of fashion.

Planned project total GFA: approximately 1.3 million sq.m.



Management Discussion and Analysis

OVERSEAS PROJECTS

Sydney • Project Eve



The project is situated in Erskineville, Sydney, which is 3 km away from Sydney CBD. The project enjoys convenient transportation and prime location, and it is only 300 meters away from the Erskineville train station, and is in close proximity to the University of Sydney and University of New South Wales. The project is positioned as a mid- and high-end residential apartment, with apartments configured into mostly one and two-bedroom layouts, along with a few three-bedroom units and villas. Pre-sale of the first phase started in July 2014.

Project total GFA: approximately 34,000 sq.m.

Sydney • Project Carlingford



Located in a prime location and in close proximity to Carlingford train station, the project has access to many highways and is only 25-minutes' drive from Sydney CBD. It has high-quality ancillary facilities and is surrounded by many quality universities and schools. The project is positioned as a mid- to high-end residential apartment, with clients consisting of white-collar middle class homeinterests, overseas students, and investors. Pre-sale of the first phase started in December 2014.

Project total GFA: approximately 128,000 sq.m.

Sydney • Project Merrylands



The project is located in Merrylands in western Sydney and near Parramatta, which was recognized as Sydney's second CBD. It is about 25 kilometers away from Sydney CDB and quite close to the Merrylands railway station. The project has easy access to education institutes and various living facilities.

Project total GFA: approximately 106,000 sq.m.

Management Discussion and Analysis

SALES PERFORMANCE

In 2016, The Group, together with its joint ventures and associated companies, achieved total contracted sales of RMB45.51 billion, up 40% from the same period last year. The total contracted sales area amounted to approximately 2.264 million sq.m., down 18.8% from the same period last year. The average selling price was RMB20,000 per square meter, up 72.3% from the same period last year.

City	Approximate Contracted Sales Area (sq.m.)	Approximate Contracted Average Selling Price (RMB/sq.m.)	Approximate Contracted Sales Revenue (RMB'000)
Beijing	578,296	29,842	17,257,697
Shanghai	203,535	25,610	5,212,526
Tianjin	651,347	17,382	11,321,772
Chongqing	160,538	6,496	1,042,840
Chengdu	228,799	10,480	2,397,842
Others	289,790	8,360	2,422,544
Sydney and Brisbane	152,171	38,493	5,857,441
Total	2,264,474	20,099	45,512,663

During the year, the Group leveraged its key resources in core cities and focused on running a customer-centric business to build premium products that cater to market demand. At the same time, the Group focused on enhancing the quality and efficiency of its sales and marketing system, maintained its strategy of balancing sales volume and price, and leveraged the rapid development momentum of the industry to take the Group's sales performance to a new level.

1. The Group ensured that new investment projects in core cities were all launched for sale and continued to enhance its position as a major sales force. During the year, contracted sales in the Group's five core cities and Sydney accounted for 95% of the total sales, an increase of 8 percentage points year-over-year. Out of this, contracted sales in Beijing and Shanghai accounted for 49%, an increase of 6 percentage points year-over-year.
2. The Group's efforts to prudently build its high-end "Tian Yue" and "Xi Rui" projects helped to drive up the overall average selling price. During the year, the Group successfully launched Tian Yue Mansion and Capital of Western Village under its "Tian Yue" product line. The Group recorded total contracted sales of RMB2.2 billion with an average selling price of more than RMB70,000 per sq.m at the projects. Meanwhile, after Xanadu, the Group also successfully redeveloped its "Xi Rui" series of projects, and created Xanadu Villa (禧瑞墅) and Xanadu Mountain (禧瑞山) as the Company's premium projects.
3. During the year, the Group worked to improve the capabilities of its in-house sales team to enhance the quality and efficiency of the sales and marketing system and the contract-signing process. The in-house sales team covered 60% of the Group's self-developed projects, and contracted sales accounted for nearly 50% of total self-developed project sales. Meanwhile, the Group established contract-signing centers in Beijing, Tianjin and Chongqing to achieve unified management of sales and marketing as well as to improve both the efficiency of the contract-signing process and collections.

Management Discussion and Analysis

LAND BANK

In 2016, the Group continued to focus on Beijing, Tianjin, and Shanghai for land investments, while further expanding into overseas market by entering Brisbane, the third largest city in Australia. In addition, by leveraging Capital Juda, BCL's commercial property development platform, the Group successfully acquired five land plots in Xi'an, Zhengzhou, Jinan, Hefei, and Chongqing and continued to rapidly expand its outlets business. As at January 2017, the Group had a total of 13 outlet projects nationwide.

During 2016, the Group added 13 new projects with a total GFA of 1.66 million sq.m. for an aggregate amount of RMB18.1 billion. The Group's five core cities and overseas market accounted for 96% of the aggregated land investment, while Beijing, Tianjin and Shanghai accounted for 19%, 13% and 57%, respectively. These investments further strengthened the Group's land bank in core cities. During the year, the Group's key investment projects in core cities included the Tianjin Hongxianli Project, Shanghai Zhoupu Project and Shanghai Pudong Xinchang Project.

As of 31 December 2016, the Group's land bank had an aggregate GFA of 11.12 million sq.m. (8.2 million sq.m. of which was attributable to the Company's equity interests) and had a total ground area of 8.92 million sq.m. (6.55 million sq.m. of which was attributable to the Company's equity interests). Of the total land bank GFA, approximately 79% is for property development projects, and 21% is for investment properties and other use. The existing land bank is considered to be of optimum scale and the Group believes its resources in core cities are sufficient. Moreover, the Group believes that its current land bank will be sufficient to meet its growth expectations and performance goals for the next three years.

City	Project	Site Area of land (sq.m.)	Total GFA (sq.m.)	Ground GFA (sq.m.)
Beijing	Beijing Daxing Huang Village Project	84,213	207,825	134,479
Shanghai	Shanghai Qingpu Xujing Project	17,048	29,966	18,752
Shanghai	Shanghai Zhoupu Project	69,433	149,932	124,980
Shanghai	Shanghai Yingpu Street Project 37-02	30,730	86,114	61,459
Shanghai	Shanghai Pudong Xinchang Project	56,887	96,409	68,264
Tianjin	Tianjin Hongxianli Project	106,920	351,338	262,020
Xi'an	Xi'an Capital Outlets Project	81,301	122,970	122,970
Zhengzhou	Zhengzhou Capital Outlets Project	62,622	85,000	85,000
Jinan	Jinan Capital Outlets Project	114,929	183,647	183,647
Hefei	Hefei Capital Outlets Project	87,913	96,494	96,494
Chongqing	Chongqing Capital Outlets Project	74,349	128,600	96,600
Sydney	Phase 3, Project Mega	31,035	69,538	69,538
Brisbane	Project Arden	16,409	50,944	50,944
Total		833,788	1,658,777	1,375,147

Management Discussion and Analysis

The Group made multiple achievements in the development of its primary land development business line (including shantytown renovation) during the year. The successful acquisitions of the Hujialou shantytown renovation project and the Pinggu Daxingzhuang primary land development project, greatly replenished the Group's land bank in its primary land development business. With the strong support of the Group's controlling shareholder, Capital Group, BCL successfully acquired the Hujialou shantytown renovation project, which covers a total site area of 24 hectares in CBD Beijing. This project has been the most important breakthrough in the Group's primary land development business in recent years, and is expected to become one of the Group's most important land resources in the future.

HUMAN RESOURCES

As of 31 December 2016, the Group employed 2,053 professionals with an average age of 33.4. In terms of education, 73.7% of employees hold a bachelor's degree or higher and 11.5% of employees hold a master's degree or higher. Employees with intermediate or senior professional titles accounted for 23.1%.

In 2016, the Group focused on executing its strategy of "achieving quality growth" and upgraded its organizational structure. In particular: (1) the Group focused on upgrading its management and integrating its resources in core regions to build more competitive teams for both residential project and primary land development. The Group also thoroughly explored opportunities related to the "Beijing-Tianjin-Hebei Cooperative Development" to maintain its competitive advantage in the region; (2) the Group enhanced synergies across its business and looked to foster win-win cooperation between the Group and its city-level subsidiaries to improve its capability of developing high-end products; (3) the Group remained committed to developing elite talent. With its ever-evolving and improving approach to managing talent, the Group continued to train its internal team while also luring top professionals from the industry, which provided further intellectual support for the Group's sustainable growth. (4) In terms of managing and building its teams, the Group kept a flat organizational structure to ensure that the organization remains lean and efficient and can maintain its leading position in terms of per capita performance.

BUSINESS MODEL

Residential Property Development

The Group will continue to adhere to its strategy of focusing on its five core cities of Beijing, Shanghai, Tianjin, Chongqing and Chengdu. Meanwhile, the Company will identify opportunities in key markets including Shenzhen and other key overseas cities. For first-time home buyers and home buyers looking to upgrade, the Company will focus on building products and providing services that are well-designed at a reasonable price. The Company will continue to make outstanding customer service the essence of the BCL brand.

Representative projects of BCL's residential development product line include the "Tian Yue" series, "Xi Rui" series, "A-Z Town" series, "Capital First City" series and "Capital City" series.

Outlets

Leveraging Capital Group's integrated commercial property platform, BCL aims to build China's largest outlets operation platform. The Group believes it can create competitive advantages and scale by rapidly expanding in target cities with a diversified strategy that combines construction, mergers and acquisitions and joint ventures. Meanwhile, the Group's integrated model that features an expanding collection of outlets should provide brands a variety of channels to connect with consumers and ultimately help all parties achieve great success.

Representative projects of BCL's outlets product line include the Beijing Fangshan Capital Outlets, Hainan Wanning Capital Outlets and Jiangsu Kunshan Capital Outlets.

Management Discussion and Analysis

Urban Core Complex

High-end urban core complexes, and in particular, commercial projects that are developed above metro stations in the core areas of important cities such as Beijing and Shanghai, will remain a key focus. By introducing top-tier business partners and integrating resources such as land, capital and operations, the Group endeavors to develop landmark projects that will bring value-added returns and securitized assets. The Group will continue to push ahead with the development of its core complex business line and the establishment of its asset expansion platform.

Representative projects of BCL's urban core complex product line include the Beijing Lize Financial Business District Project and Beijing International Center Project.

Primary Land Development (Including Shantytown Renovation)

Primary land development is a key area of the Company's residential property development. The primary land development business (including shantytown renovation) not only allows the Company to create value-added improvements to land resources, but also allows it to acquire prime land resources at a lower cost. In addition, large-scale development allows the Group to explore and develop industry-city integration models, which is a way to increase land value and build differentiated core competitiveness.

Representative projects of BCL's primary land development projects (including shantytown renovation) include the Tianjin Wuqing primary land development project, Beijing Hujialou shantytown renovation project and Beijing Shijingshan shantytown renovation project.

STRATEGY AND VISION

Looking ahead to 2017, supply-side reforms are expected to continue to deliver effective results and the macro economy should maintain steady growth momentum. The property industry will continue to undergo a long-term structural shift as new and more specific policies and regulations continue to be implemented. This will continue to drive the commodity housing market from investment-driven demand to consumer-driven demand from people looking to upgrade their living standards. The property industry will continue to serve as the pillar of the national economy, while it will be increasingly dominated by big players and fierce competition, which will create a more challenging environment for property developers as they try to manage their assets and operations.

In 2017, the Group will implement the following strategic initiatives:

- 1. Optimize product portfolio and speed up contract-signing process to help achieve sales target.** With the Group's new investment projects in core cities and the "Tian Yue" and "Xi Rui" series of projects, the Group aims to cater to market and customer demand, improve product quality and optimize the product portfolio. The Group will launch projects at a balanced pace throughout the year. Improvements to the Group's contract-signing center and in-house sales team will be made to help facilitate the contract-signing process and improve collections. The Group aims to achieve a full-year target of RMB50 billion in contracted sales.

Management Discussion and Analysis

- 2. Focus on core cities and integrate core resources to actively build an integrated resources platform.** The Group will continue to invest in its five core cities, while eyeing on opportunities in Shenzhen and various overseas markets. By actively seeking synergies with Capital Group's four business segments and Beijing XCapital Construction Investment Fund ("XCapital Fund"), BCL will strive to expand its primary land development projects and shantytown renovation projects in an effort to consolidate the Company's position in Beijing, Tianjin and the Hebei region. Leveraging the synergies between the Group's primary land development business and Capital Group's transportation business, BCL will facilitate the development of its urban core complex business and high-tech industrial properties. The Group will also expand its access to equity financing with financial institutions and form long-term strategic cooperation agreements to take advantage of the strengths of different parties.
- 3. Reinforce customer-centric business approach, improve product and service quality, and develop "Made by BCL" brand.** BCL will look to improve its product and service quality by integrating big data to obtain insights on customer needs. The Group will also take advantage of its standardized products and strategic centralized procurement platform to upgrade the Group's overall research and development as well as quality control throughout the entire project development process. The Group will intensely focus on building its Shouwan Property Management brand, facilitate the renovation and improve the quality of certain housing inventory, get involved with new projects at an early design and development stage, and improve overall product quality and the capabilities of its property management service.
- 4. Accelerate nationwide expansion and improve operating capabilities to strengthen and grow the outlets business.** Capital Juda will continue to expand its footprint nationwide and further secure prime resources in target cities to solidify its superior position with an industry-leading operating scale. Meanwhile, the Group will utilize its advantage in resource convergence as a red-chip listing platform and focus on building on the Company's twin core values of customer experience and brand value. It will also focus on rapidly improving its operating capabilities by streamlining operations, and improving standardized products, brand portfolio, the product portfolio, and the overall customer experience. By doing so, the Group believes it can rapidly boost its performance across its projects, successfully launch new projects on schedule, and set a solid foundation for realizing its strategic goal of "Twenty Cities in Five Years."
- 5. Propel breakthroughs in equity financing and control debt levels to optimize the Company's overall capital structure.** The Group is committed to realizing breakthroughs in its core equity financing, and continues to proceed with its A-share IPO process. The Group will actively seek opportunities to enlarge its equity base through its red-chip platform and expand cooperation with partners at the project level through equity cooperation. In an effort to support business development, the Group's efforts related to debt financing will focus on lowering the gearing ratio, controlling total debt levels and debt servicing costs, managing a broad variety of financing channels with a reasonable maturity structure to strengthen the Company's risk taking capabilities. The Group will also continue to leverage more domestic bond financing options to meet its capital needs for policy-supported businesses such as primary land development and shantytown renovation.

Management Discussion and Analysis

FINANCIAL ANALYSIS

In 2016, revenue of the Group was approximately RMB20,349,404,000 (2015: RMB15,994,770,000), representing an increase of approximately 27% as compared with 2015. Such increase in revenue was mainly attributable to the increase in new projects completed and occupied during the year.

In 2016, the Group achieved a gross profit margin after business tax of approximately 13%, representing an increase of 1 percentage point when comparing to 12% in 2015, which was mainly attributable to an increase in proportion of revenue from properties with higher gross profit margin in premier regions such as Beijing during the year when compared to 2015.

In 2016, the operating profit of the Group was approximately RMB3,828,663,000 (2015: RMB3,746,253,000), representing an increase of approximately 2% as compared to 2015.

1. Financial Resources, Liquidity and Liability Position

During the period under review, the Group maintained a healthy liquidity position and a reasonable appropriation of financial resources. As at 31 December 2016, the Group's total assets were RMB119,210,734,000 (31 December 2015: RMB107,471,949,000) and non-current assets were RMB24,871,169,000 (31 December 2015: RMB22,400,380,000) and the total liabilities were RMB91,645,999,000 (31 December 2015: RMB81,814,364,000), of which current liabilities were RMB47,802,295,000 (31 December 2015: RMB35,609,523,000), non-current liabilities were RMB43,843,704,000 (31 December 2015: RMB46,204,841,000), and shareholder's equity was RMB27,564,735,000 (31 December 2015: RMB25,657,585,000).

The Group has sound liquidity and solvency. Current ratio of the Group as at 31 December 2016 was 1.97 (31 December 2015: 2.39).

As at 31 December 2016, the Group's cash at bank and on hand amounted to RMB17,925,747,000 (31 December 2015: RMB20,102,982,000), which represented sufficient cash flow for operations.

As at 31 December 2016, bank loans and debentures of the Group amounted to RMB54,382,104,000 (31 December 2015: RMB48,753,667,000) in aggregate, of which the long-term loans and debentures amounted to RMB37,505,775,000 (31 December 2015: RMB38,985,931,000). The bank loans were mainly used to satisfy the capital requirements of the Group's property development projects.

As at 31 December 2016, the Group's gearing ratio was approximately 77% (31 December 2015: 76%). The gearing ratio of the Group is calculated as the total liabilities divided by total assets.

2. Changes in major subsidiaries, principal jointly controlled entities and associates

Juyuan Xincheng (Tianjin) Investment Management Co., Ltd. (聚源信誠(天津)投資管理有限公司), a subsidiary of the Group, was established in March 2016, and 100% of its equity interest was held by the Group.

Xian Shouju Commercial Development Management Co., Ltd. (西安首鉅商業開發管理有限公司), a subsidiary of the Group, was established in March 2016, and 72.09% of its net assets was held by the Group.

Shanghai Shoujing Investment Co., Ltd. (上海首涇投資有限公司), a subsidiary of the Group, was established in March 2016, and 100% of its equity interest was held by the Group.

Juyuan Xincheng (Tianjin) Trading Co., Ltd. (聚源信誠(天津)商貿有限公司), a subsidiary of the Group, was established in April 2016, and 100% of its equity interest was held by the Group.

Management Discussion and Analysis

Beijing Yongyuanxing Real Estate Co., Ltd. (北京永源興置業有限公司), a subsidiary of the Group, was established in May 2016, and 100% of its equity interest was held by the Group.

Zhengzhou Juxin Outlets Industry Co., Ltd. (鄭州鉅信奧萊實業有限公司), a subsidiary of the Group, was established in May 2016, and 72.09% of its net assets was held by the Group.

Beijing Youda Zhiye Limited (北京優達置業有限公司), a subsidiary of the Group, was established in June 2016, and 70% of its equity interest was held by the Group.

Jinan Shouju Real Estate Co., Ltd. (濟南首鉅置業有限公司), a subsidiary of the Group, was established in August 2016, and 72.09% of its net assets was held by the Group.

Hefei Chuangju Outlets Commercial Management Co., Ltd. (合肥創鉅奧萊商業管理有限公司), a subsidiary of the Group, was established in September 2016, and 72.09% of its net assets was held by the Group.

During the year, Beijing Capital Juda Limited (“Capital Juda”), a subsidiary of the Group, completed the issue of ordinary shares and perpetual convertible securities to KKR and Sino-Ocean Group. Upon completion of the transaction, the net assets of Capital Juda shared by the Group decreased from 92.56% to 72.09%.

During the year, the Group increased the capital of Shanghai Yujing Real Estate Co., Ltd. (上海裕憬房地產開發有限公司) (“Shanghai Yujing”). Upon completion, Shanghai Yujing was held as to 51% by the Group. Shanghai Xuanxi Real Estate Co., Ltd. (上海暄熹房地產開發有限公司) (“Shanghai Xuanxi”) was a wholly - owned subsidiary of Shanghai Yujing.

During the year, the Group acquired 100% of equity interest in Donghuan Xinrong and its wholly-owned subsidiaries, Beijing Jia Wen Xin Restaurant Co., Ltd. (北京家溫馨餐飲有限公司) and Beijing Xi An Restaurant Co., Ltd. (北京棲岸餐飲有限公司).

During the year, the Group acquired 60% of equity interest in Liujin Zhiye. Upon completion of the acquisition, Liujin Zhiye was held as to 100% by the Group in aggregate.

During the year, the Group and a partner jointly invested in the establishment of Tianjin Lianjin Real Estate Development Co., Ltd. (天津聯津房地產開發有限公司) (“Tianjin Lianjin”). Upon completion of the investment, the Group held 25% of equity interest in its joint venture, Tianjin Lianjin.

During the year, the Group reached an agreement with the partner of its former subsidiary Beijing Shangbodi Investment Consultant Co., Ltd. (北京尚博地投資顧問有限公司) (“Shangbodi”) to exercise significant decision-making jointly. Upon the completion of amendments to the article of association, Shangbodi became a joint venture of the Group.

During the year, the Group increases the capital of Shanghai Zhiyue Industrial Company Limited (上海置悅實業有限公司) (“Shanghai Zhiyue”). Upon completion of the acquisition, the Group held 50% of the equity interest in Shanghai Zhiyue, which became a joint venture of the Group.

During the year, the Group increases the capital of Changsha Joyous Sky Avenue Investment Co., Ltd. (長沙歡樂天街投資有限公司) (“Changsha Investment”). Upon completion of the acquisition, the Group held 12% of its net assets in Changsha Investment, which became an associated company of the Group.

During the year, Zhuhai Hengqin Beijing Capital Land Guang He Cheng Equity Investment Fund (Limited partnership) (“Guang He Cheng Fund”), a joint venture of the Group, paid capital to the subordinated limited partners and distribute the excess distributable earnings to senior and subordinated partners. After the settlement, the Fund and its subsidiary Chongqing Shouyong Real Estate Co., Ltd. become the subsidiaries of the Group.

Management Discussion and Analysis

During the year, with the project developed by Beijing Tiancheng Yongtai Real Estate Co., Ltd. (hereinafter “Tiancheng Yongtai”) entered into a nearly completion phase, the Group reached an agreement with partner Fenson International Limited to rearrange the type of profit distribution and the way of collaboration on Tiancheng Yongtai Project. The Group still holds part of right to earnings and the residual properties and has no joint control or significant influence on Tiancheng Yongtai, resulting in derecognition of long-term equity investment originally held and the remaining right to earnings was recognized as available-for-sale financial assets.

3. Entrusted Deposits and Overdue Time Deposits

As at 31 December 2016, the Group did not have any entrusted deposits in financial institutions in the PRC. All of the Group’s cash was held in commercial banks in the PRC in compliance with applicable laws and regulations. The Group has no bank deposits which are not recoverable upon maturity.

4. Borrowings

As at 31 December 2016, bank loans of RMB300,000,000 (31 December 2015: nil) were secured by the guarantee provided by the Group and other third parties for its subsidiaries, and secured by land use rights under development of the Group and pledged by equity interests of the Group.

As at 31 December 2016, bank loans of RMB3,636,190,000 (31 December 2015: RMB3,404,700,000) were secured by certain properties under development.

As at 31 December 2016, bank loans of RMB743,000,000 (31 December 2015: RMB869,000,000) were secured by fixed assets and land use rights.

As at 31 December 2016, bank loans of RMB4,043,360,000 (31 December 2015: RMB1,671,050,000) were secured by the guarantee provided by the Group for its subsidiaries.

As at 31 December 2016, bank loans of RMB2,802,040,000 (31 December 2015: RMB7,656,447,000) were secured by the guarantee provided by the Group for its subsidiaries, and secured by certain properties under development of the subsidiaries.

As at 31 December 2016, bank loans of RMB540,000,000 (31 December 2015: RMB440,000,000) were secured by the guarantee provided by the Group for its subsidiaries, and secured by investment properties of the subsidiaries and their land use rights.

As at 31 December 2016, bank loans of RMB720,000,000 (31 December 2015: nil) were pledged by the corresponding income right of land use rights under development of the subsidiaries of the Group.

As at 31 December 2016, bank loans of RMB739,327,000 (31 December 2015: RMB694,029,000) were pledged by bank deposits of the Group.

As at 31 December 2016, bank loans of RMB85,000,000 (31 December 2015: RMB115,000,000) were pledged by the entire equity interests of and the income arising from primary land development of the Group.

As at 31 December 2016, bank loans of RMB7,773,813,000 (31 December 2015: RMB7,072,192,000) were credit loans obtained by the Group.

As at 31 December 2016, bank loans of RMB1,220,000,000 (31 December 2015: RMB1,220,000,000) were secured by the guarantee provided by Capital Group for the Group, and secured by land use rights under development of the Group.

Management Discussion and Analysis

As at 31 December 2016, bank loans of RMB500,000,000 (31 December 2015: RMB2,370,000,000) were pledged by the equity interests of the subsidiaries held by the Group and the guarantee provided by the Group.

As at 31 December 2016, bank loans of RMB6,500,000,000 (31 December 2015: RMB8,200,000,000) were secured by the guarantee provided by Capital Group for the Group.

5. Corporate Bonds

In May 2015, the Group issued 5-year RMB listed bonds in a principal amount of RMB3,000,000,000 with an interest rate of 4.58% per annum.

In October 2015, the Group issued 3-year RMB private bonds in a principal amount of RMB2,500,000,000 with a prevailing interest rate of 4.7% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the second year.

In December 2015, the Group issued 3-year RMB private bonds in a principal amount of RMB2,500,000,000 with an interest rate of 4.78% per annum.

In April 2016, the Group issued 3-year RMB private bonds in a principal amount of RMB700,000,000 with a prevailing interest rate of 4% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the second year.

In April 2016, the Group issued 5-year RMB private bonds in a principal amount of RMB2,300,000,000 with a prevailing interest rate of 4.2% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the third year.

In June 2016, the Group issued 3-year RMB private bonds in a principal amount of RMB2,300,000,000 with a prevailing interest rate of 4.1% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the second year.

In June 2016, the Group issued 5-year RMB private bonds in a principal amount of RMB1,700,000,000 with a prevailing interest rate of 4.26% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the third year.

In July 2016, the Group issued 3-year RMB private bonds in a principal amount of RMB2,000,000,000 with a prevailing interest rate of 3.71% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the second year.

In July 2016, the Group issued 5-year RMB private bonds in a principal amount of RMB1,000,000,000 with a prevailing interest rate of 3.84% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds at the end of the third year.

6. Notes

In February 2014, Central Plaza Development Ltd. (“Central Plaza”) established a Guaranteed Medium Term Notes and Perpetual Securities Scheme (the “Scheme”), guaranteed by International Financial Center Property Ltd. (“IFC”) or, as the case may be, the Company, for securities to be issued thereunder. Under the Scheme, Central Plaza may offer and issue securities in a principal amount of up to USD1,000,000,000.

In February 2014, Central Plaza made a drawdown under the Scheme to offer and issue 3-year notes in a total principle amount of RMB2,000,000,000 at an interest rate of 5.75% per annum and 5-year notes of RMB250,000,000 at an interest rate of 6.875% per annum.

Management Discussion and Analysis

In April 2014, Central Plaza made a drawdown under the Scheme to offer and issue 3-year notes in a total principle amount of RMB1,000,000,000 at an interest rate of 5.75% per annum to be consolidated and formed a single series with the 3-year notes of RMB2,000,000,000 with an interest rate of 5.75% per annum issued in February 2014.

In July 2015, Rosy Capital, a subsidiary of the Group, issued 3-year RMB term notes in a principal amount of RMB1,300,000,000 with an interest rate of 5.25% per annum, which were guaranteed by subsidiaries of the Group and a keepwell and liquidity support deed provided by Capital Group.

7. Equity Instrument

As of 31 December 2016, Central Plaza issued a total amount of USD850,000,000 senior perpetual securities. Such securities were guaranteed by certain subsidiaries of the Group including IFC. Such securities have no maturity date and are redeemable at the option of Central Plaza as the issuer. Central Plaza as the issuer may elect to defer distribution with no times limit on only if Central Plaza or the Company does not declare or pay a dividend. The securities are classified as equity instrument, where:

In April 2013, Central Plaza issued USD400,000,000 senior perpetual capital securities at a distribution rate of 8.375%. In November 2014, Central Plaza issued USD450,000,000 perpetual securities under the Medium Term Notes and Perpetual Securities Scheme at a distribution rate of 7.125%.

In December 2014, Minsheng Royal raised a total amount of RMB650,000,000. According to the terms of Investment Agreement, the amount of non-controlling interests recognized amounted to RMB580,125,000 after deducting the inevitable dividend payable in the foreseeable future. In June 2016, the assets management plan was cleared off.

In January 2015, Minsheng Royal raised a total amount of RMB1,080,000,000. According to the terms of Investment Agreement, the amount of non-controlling interests recognized amounted to RMB963,900,000 after deducting the inevitable dividend payable in the foreseeable future. In July 2016, the assets management plan was cleared off.

In January 2015, Tiandi Fangzhong raised a total amount of RMB1,200,000,000. According to the terms of Investment Agreement, the amount of non-controlling interests recognized amounted to RMB1,075,200,000 after deducting the inevitable dividend payable in the foreseeable future. In July 2016, it is declared that the 50% of the assets management plan's principal would be settled by the Group in January 2017. As at 31 December 2016, the remaining on – controlling interests recognized amounted to RMB537,600,000 after deducting the amount reclassified to current portion of non- current liabilities.

In July 2016, Xinghan Assets raised a total amount of RMB3,000,000,000. According to the terms of Investment Agreement, the amount of other equity instruments recognized amounted to RMB2,895,291,000 after deducting the inevitable dividend payable in the foreseeable future.

Management Discussion and Analysis

8. Contingent Liabilities

The Group had arranged bank facilities for certain purchasers of its properties and provided guarantees to secure the repayment obligations of such purchasers. The outstanding balances of guarantees amounted to RMB6,648,906,000 as at 31 December 2016 (31 December 2015: RMB6,902,006,000).

Such guarantees will be terminated upon (i) the issuance of the real estate interestship certificate which will generally be available within six months to two years after the Group transfers the interestship of the relevant property to its purchasers; (ii) the completion of the mortgage registration; and (iii) the issuance of the real estate miscellaneous right certificate relating to the relevant property.

As at 31 December 2016, the Group provided a guarantee for its subsidiaries' borrowing of RMB13,487,075,000 (31 December 2015: RMB20,263,072,000).

As at 31 December 2016, IFC, a subsidiary of the Group, provided guarantees for the medium term note of RMB3,250,000,000 and the senior perpetual capital securities of USD850,000,000 issued by Central Plaza, a subsidiary of the Group.

As at 31 December 2016, Capital Juda, a subsidiary of the Group, provided a guarantee for the term notes of RMB1,300,000,000 issued by Rosy Capital, a subsidiary of the Group.

As at 31 December 2016, the Group provided a guarantee for the assets management plan of RMB1,200,000,000.

As at 31 December 2016, the Group provided a guarantee amounted to RMB600,000,000 to Capital Jiaming New Town Investment and Development Ltd. ("Capital Jiaming") for a long term borrowing amounted to RMB1,200,000,000.

Save as the above, the Group had no other material external guarantee.

Environmental, Social and Governance Report

This report is the first Environmental, Social and Governance Report presented by the Company to the public in compliance with the environmental, social and governance reporting guidelines as set out in Appendix 27 to the Listing Rules. Through this report, we strive to disclose the Company's philosophy and practice towards environment, society and governance, with a view to promoting understanding and interaction between respective stakeholders and the Company.

1. ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT SYSTEM

1.1 Core philosophy

The Company's core philosophy towards environment, society and governance is to achieve a coordination and joint development among the environment, economy and society, with a full integration of corporate, social and environmental responsibilities into all aspects of the management and development of the Company, including day-to-day corporate management, business development and product and service development. In this regard, the Company has also formulated a relevant environmental, social and governance policy, which:

- (1) is in compliance with the requirements of the relevant laws and regulations of corporate environment, society and governance;
- (2) continues to facilitate the establishment and perfection of the Company's relevant management system of environment, society and governance;
- (3) actively integrates green philosophy into product design and services of the Company and ensures the material selection and construction process meet or even outdo the requirements of applicable environmental laws and regulations and standards;
- (4) encourages our employees to save energy and conserve resources, supports and motivates energy saving and emission reduction measures such as "paperless office";
- (5) strives to obtain green recognitions for the Company's projects, including China Green Building Label (GBL) and U.S. Leadership in Energy and Environmental Design (LEED).

1.2 Organization Structure

A management structure with reasonably high efficiency is the foundation for establishing and perfecting the Company's environment, social and governance management system. Taking into account of various aspects (i.e. management efficiency, division of authority and responsibility, etc.), the Company has set up a Task Force on Environmental, Social and Governance Report to establish an integrated management system featuring the involvement of the management, cross-departmental coordination and a top-down hierarchy with a clear definition of responsibilities, so as to push through the above-mentioned policy and accordingly a full disclosure. This report is presented to the Board of Directors through its Committees.

Environmental, Social and Governance Report

1. ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT SYSTEM

(Continued)

1.3 Communication with and Response to Stakeholders

The Company initiates communication and exchange with its stakeholders, keeps abreast of their latest requirements in a timely manner and responds proactively through various channels. Our stakeholders include investors/shareholders, the government, staff, suppliers, consumers and the community.

Stakeholders	Communication and response	Issues of concern
Investors/Shareholders	General meetings, annual reports and interim reports, results announcements, corporate announcements, etc.	Corporate governance, development strategy
Government	Official correspondences, on-site visits, relevant meetings, information disclosure, etc.	Compliance operation, anti-corruption, environmental management
Staff	Staff opinion surveys, communication meetings, corporate internal announcements, staff feedback mechanism, etc.	Employment, labor standards, development and training, health and safety
Suppliers	Suppliers' qualification administration system, meetings, strategic cooperation negotiations, etc.	Supply chain management
Consumers	Consumer satisfaction surveys, consumer feedback activities, daily operation/ interaction, service complaint and response mechanism, etc.	Product liability, consumer privacy protection
Community	Community activities, public welfare activities, social cause campaigns, etc.	Environmental protection, social investments

2. ENVIRONMENTAL PROTECTION

The Company keeps abreast of the latest national and regional laws and regulations of environmental protection and strictly abides by the Law of the PRC on Environmental Protection (《中華人民共和國環境保護法》), the Law of the PRC on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and other relevant laws and regulations. The Company also actively supports the domestic environmental protection policy with the implementation of various measures to reduce greenhouse gas emissions and wastes of the Company. In the meantime, the Company makes every effort to increase the utilization efficiency of its resources and alleviate the impacts of the Company's businesses on the external environment by formulating relevant systems and taking concrete measures.

2.1 Green Design

When developing projects and designing products and services, the Company not only complies with the relevant regulations and rules, but also considers the value of environmental protection. For instance, the Beijing company of the Company consults with non-governmental organizations and experts, gathers all information and data at the planning stage and, if necessary, takes appropriate measures to reduce the impacts of projects or products on the environment.

Environmental, Social and Governance Report

2. ENVIRONMENTAL PROTECTION *(Continued)*

2.1 Green Design *(Continued)*

With the launch of new products and services of the Company, we will put more emphasis on sustainability and strive to enhance our performance in environmental protection. The project entity of the Company has made maximization of energy efficiency one of its objectives at the project planning and design stages. Feasible green features are adopted in project design such as tinted window glazing, energy efficient building services installations, sophisticated intelligent home systems, etc. In addition, we ensure all projects meet the relevant requirements of laws and regulations and standards.

Currently, the Company has obtained relevant green building certifications for 2 projects: Metro park and Zhongguancun IC Design Park ("IC Park"). The assessment criteria of U.S. LEED For Neighbourhood Development were adopted in both projects to perfect project planning and green building design. Both projects were awarded LEED-CS gold pre-certification by U.S. Green Building Council (USGBC). The IC Park project which has obtained 3-star certification of China Green Building Label (GBL) intends to spend RMB50 million in setting up an industrial park under active and intelligent management and embodying PM2.5 smart filtering, green environmental ecosystem with low-power consumption and application management service platform under integrated joint control.

Relevant certification	Project name
Leadership in Energy and Environmental Design (LEED)-CS gold pre-certification	Zhongguancun IC Park Metro park
3-star certification of China Green Building Label (GBL)	Zhongguancun IC Park

2.2 Green Construction

The Company strictly complies with the relevant requirements of regional environmental policies and the local construction committees. For instance, the Beijing company ensures sound compliance with the Measures of Beijing Municipality for Administration of Work Sites of Construction Projects (《北京市建設工程施工現場管理辦法》), Green Construction Management Regulations (《綠色施工管理規程》) and standards, regulations and documentation in connection with dust control, and takes various proactive measures to alleviate the impacts of construction on the surrounding environment.

Dust Control

To mitigate environmental pollution, the Company has been encouraging technological reform of equipment and facilities for our projects with an introduction of mist cannons, high-pressure water guns and construction sprinklers, and playing an active role in the execution of emergency measures against smog in different regions. For example, the Beijing company exercises sound work-site management and, if necessary, suspends its outdoor operation based on air pollution warning levels under the requirements of the Measures of Beijing Municipality for Administration of Work Sites of Construction Projects (《北京市建設工程施工現場管理辦法》) and Emergency Plans of Beijing Municipality for Severe Air Pollution (Trial) (《北京市空氣重污染應急預案(試行)》).

Noise Reduction

The Company continues to focus on noise reduction at work sites and provides sufficient noise reduction measures for specific premises nearby, including schools, residential areas, etc.

Water Treatment

It is strictly required that sewage arising from all construction projects should be treated in accordance with the relevant regulations and discharged into local sewage treatment plants via municipal sewer drainage systems.

Environmental, Social and Governance Report

2. ENVIRONMENTAL PROTECTION *(Continued)*

2.3 Green Office

To create a green office environment, we have drawn up standards and regulations for our staff in the office, which promote pot culture, improve the management level of the overall emission of greenhouse gases and minimize unnecessary resource consumption during daily operation.

Solid Waste Disposal

Used toner cartridges and ink cartridges for the Company's daily consumption are returned to suppliers for recycling and decontamination.

Resource Conservation

We use energy-saving fluorescent tubes and ban illumination in unattended rooms of the office to save power consumption, set the temperature of our air conditioning units at 26°C -28°C in summer to regulate the use of air-conditioning, and encourage the use of ERP/OA system and promote paperless office to reduce unnecessary use of paper.

Business Vehicle Management

To reduce emission of exhaust gas and greenhouse gases from vehicles, the Company strengthens the management of its business fleet and enhances its utilization efficiency. The Company exercises unified management for the purchase of petro cards and implements the "One Car, One Card" strategy, sets up a registration system for the use of business vehicle strictly subject to approval procedures, and coordinates vehicle dispatching and encourages car-sharing during business trips, which in turn reduces the frequency of vehicle use whereas public transportation is recommended for short-distance business trips.

3. CARE FOR EMPLOYEES

3.1 Equal Employment Mechanism

In strict compliance with laws and regulations

The Company strictly abides by the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and other laws and regulations by entering into labor contracts with its employees pursuant thereto so as to effectively protect their interests. The Company has also formulated internal regulations and relevant implementation rules in accordance with law, including the Administration Code of Labor Contract and Agreement (《勞動合同及協定管理規範》), etc.

Uniformity in talent standards

The Company implements a competency-based recruitment in choosing talents to fill certain positions, following a set of standardized and comprehensive selection criteria whereby discrimination in the selection process due to geographical consideration and management preferences can be avoided.

Environmental, Social and Governance Report

3. CARE FOR EMPLOYEES *(Continued)*

3.2 Protection for Employees' Interests

The Company is committed to building a working environment that can foster strong sense of belonging for our employees. Staff of all positions are employed in strict compliance with national and local applicable laws and regulations to effectively safeguard their legitimate rights. During the year, the Company did not have any problem of child labor nor did it violate employees' legitimate rights.

Comprehensive benefit system

The Company makes contributions to general social insurances (including general pension, general medical care, unemployment, work injury, maternity, etc.) and establishes various benefit systems (including housing provident fund, supplemental medical insurance, etc.) for its employees according to laws and regulations.

Fair Remuneration Appraisal

As for remuneration, the Company adheres to the principle of "equal pay for equal work" according to position value, so as to ensure our employees will receive equal treatment in terms of remuneration. The minimum wage level of the Company's employees has satisfied the local minimum wage requirements. In the interest of employees, performance appraisal is also conducted strictly on a fair, equitable and open basis. Should the employees disagree with the appraisal, they may challenge it through proper channel at any time.

Sound Trade Union

The Company attaches great importance to a representative system for its employees, and has established for them such right protection organizations as trade union to inform them of the Company's development and any material matters in relation to their own interests, providing them with opportunities and channels to express their opinions.

3.3 Facilitating Talent Development

Comprehensive training system

Training provided by the Company adopts core values as the basis, job requirements as the theme and enhancement of job skills as the objective. It is in line with the employee's career development. Through cross-departmental coordination and the use of various training methods, we succeeded in designing targeted training courses facilitating improvement in the employees' professional and management quality to the fullest extent and realizing their growth potentials.

Mobile platform for knowledge acquisition

The Company continues to enhance the OTO systematic learning system, which improves the learning efficiency of our employees.

Mobility and growth of in-house talents

The Company keeps identifying in-house talents and selects competent back-up staff for internal transfer and specific training, ensuring a talent pool and talent echelon for succession to key positions of the Company. In addition, the Company continues to maintain a reasonable allocation of internal human resources on the merits.

Environmental, Social and Governance Report

3. CARE FOR EMPLOYEES *(Continued)*

3.4 Great Emphasis on Employees' Health and Safety

Employees' health

The company lays emphasis on the working environment and health of the employees, and strictly complies with the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the Law of the PRC on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》) and the Regulation on Work-Related Injury Insurance (《工傷保險條例》). The Company has an annual health check-up policy in place for the employees and the trade union also provides multi-aspect attention.

Employees' safety

The Company strictly complies with the relevant laws and regulations of employees' safety and strives to create a safe and well-protected working environment for all employees. The Company regards safety as one of the assessment criteria for its subsidiaries and adopts a top-down accountability system for safe production. Safety contingency plans are also formulated to consolidate and regulate the handling of emergencies. In respect of construction sites, the Company has an unannounced inspection system in place to conduct regular checkup on the conditions of work sites for safety's sake.

4. PRODUCT LIABILITY

The Company adheres to a policy of quality products and customer-oriented services, providing consumers with high-quality products and comprehensive services as well as multi-layered protection of their legitimate interests.

4.1 Quality Assurance

Safe and environment-friendly materials

The standard tender documents of the Company specifically provides for the source of construction materials. All materials used in permanent works must be brand new materials of high quality and up to the relevant environmental standards in order to guarantee the safety and environmental attributes of the products from the perspective of materials.

Quality control for entire process

The Company exercises stringent control on product quality throughout the entire process from selection of project construction units to pre-delivery final checks. During the construction process, the Company exercises rigorous control on 6 major aspects of quality management to ensure construction quality, including solution management of construction technology, materials, acceptance of equipment, acceptance of sample construction, work hand-over checks and acceptance of itemized construction.

Specialized institution for the supervision of inspection

The Company and Vanke jointly established Shouwan Yuye (Shanghai) Property Services Co., Ltd. (首萬譽業(上海)物業服務有限公司) (hereafter referred to as "Shouwan Yuye") to ensure project quality by involving Shouwan Yuye to supervise at the early stage of construction and to take over the examination task two months prior to project delivery for identifying problems of construction quality and effecting rectification accordingly in a timely fashion.

Research on difficulties in quality control

The Company proactively conducts research on product quality improvement and performs in-depth exploration into problem prone areas. The Company started its study on leak-proof system in early 2016. After almost a year of study and discussions, pilot implementation as well as conclusion and revision, guidance documents including Guidance on Design and Management of Leak-proof System (《防滲漏體系設計管理工作指引》), Guidance on Construction and Management of Leak-proof System (《防滲漏體系工程管理工作指引》) and Operating Manual of Leak-proof System of Beijing Capital Land (《首創置業防滲漏體系作業手冊》) are formulated to resolve the housing leakage issues effectively and improve construction quality.

Environmental, Social and Governance Report

4. PRODUCT LIABILITY *(Continued)*

4.2 Services with Care

Effective complaint channel

The Company strives to provide satisfactory services for property interests under the philosophy of “serving with ingenuity”. The Company has set up and made available an effective complaint channel. The Company’s headquarters have installed the “400 Call Center” while its first line companies have their own customer service hotlines. Either our headquarters or the first line companies promise property interests that any concern can be conveniently directed and dealt with accordingly.

Regulation of complaint handling procedures

To ensure prompt and effective handling of complaints, the Company has set up a specific process for handling customer complaints about product quality and determined the terms of reference of each responsible person in the process, with the formulation of Procedures of Full Life Cycle Services with Clients (《客戶全週期服務流程》), Guidelines on Handling of Customer Complaints (《客戶投訴處理工作指引》), Guidelines on Management of Customer Complaints (《客戶投訴管理工作指引》), etc. Customer service officers are required to forward the complaints to the relevant complaint handling departments within the prescribed time frame and record the contents of complaints and the follow-up actions taken.

In addition, the Company conducts regular customer satisfaction surveys every year. Through continuous improvement based on the survey findings on customer satisfaction as well as the analysis on product quality and the overall service process, the Company is able to provide better services for the property interests.

4.3 Protection for Customer Privacy

The Company attaches great importance to the protection of customer privacy and strictly complies with the relevant provisions of the national laws and regulations. The Company has adopted a CRM system to maintain customer data and set different access authorities for staff of different first line companies, departments and levels for the security of customer information. Further, the Company’s headquarters are responsible for the supervision and review of the access authorities to keep customer privacy secure.

4.4 Use of Advertising Labels

The Company strictly complies with the Advertisement Law of the PRC (《中華人民共和國廣告法》), the Interim Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》) and other laws and regulations enacted by the nation, regions and industry associations. Provisions in relevant documents issued by the Ministry of Housing and Urban-Rural Development of the PRC are strictly followed and consistently implemented according to the characteristics of the real estate industry. The Company has internally developed and followed the requirements for the use and execution of brand identity such as Requirements for the Use of VI (《VI使用規範》), Product Manual (《產品手冊》), etc., which were internally circulated by its headquarters to all first line companies for consistent implementation.

Environmental, Social and Governance Report

5. SUPPLIER RESPONSIBILITIES

Selection and management of suppliers not only affect the quality of the Company's products, but also play a crucial role in performing the environmental and social responsibilities. Apart from integrating the concept of sustainability into its day-to-day management and development, the Company is also committed to promoting awareness of the environment and social responsibilities among more companies and individuals. Through supplier management, the Company, therefore, wishes to encourage their contribution in this regard.

5.1 Selection of Suppliers

The Company has certain rules and regulations in place for the selection of suppliers, including Guidelines on Management of Single Tender (《單項招標管理工作指引》), Practice Guidelines on Strategic Procurement (《戰略採購實施作業指引》), etc. These policies cover the selection criteria of tender candidates, specific tender procedures and evaluation standards for tendering.

Fair and Open Tender

The Company adheres to the idea of “sunshine” procurement. The entire tender process is conducted through the online procurement platform. The bid opening procedure of a strategic procurement project is jointly witnessed by the representatives from the Company's Risk Management Center, discipline verification office and first line companies. For the purpose of promoting integrity-based cooperation, the cooperative agreements entered into between the Company and the suppliers include the Integrity-based Cooperation Agreement (《廉潔合作協議書》) as the addendum. Further, the Company's official website has made available the telephone no. of the discipline verification office with a view to accepting supervision from a wide range of cooperative partners.

On-site Investigation and Research

In the course of reviewing the suppliers' qualifications before approval, the Company would conduct on-site inspections on the prospective bidders' factories and works in progress, focusing on whether the management of such factories and project sites, and the disposal of sewage and exhaust gas are in compliance with national standards or relevant requirements. For instance, enterprises subject to the production safety licensing system are required to provide the production safety license. Environmental management certificates and inspection reports in compliance with national standards are also required to meet industry-specific requirements. Moreover, the Company conducts in-depth market investigation and research to ensure the bidding enterprises are free of employment of child labour, compulsory or forced labour, violation of human rights, infringement of freedom of association and collective bargaining rights, and bribery and anti-competitive practice.

Strict Entry Barrier

In the Company's standard tender documents, apart from the quality specification of the materials, it also sets forth the relevant requirements for the environmental protection measures and the work of the project staff. For instance, contractors must take appropriate measures to limit the damage to and impacts on the public and their properties as the result of the pollutions arising from the construction works, and to ensure the amount of pollutants, such as exhaust gas and wastewater, produced by the construction activities does not exceed the indicators specified by relevant standards. They shall also abide by relevant laws on employment, health, safety, benefits, entry and exit in respect of the project staff, and protect all their rights under the laws.

Environmental, Social and Governance Report

5. SUPPLIER RESPONSIBILITIES *(Continued)*

5.2 Supplier Management

Based on the Supplier Management Process (《供應商管理流程》), the Company has established the Supplier Management System comprising such mechanisms as supplier information management, performance evaluation, motivation and elimination.

Performance Evaluation

The supplier performance evaluation is a comprehensive evaluation result based on the Company's cost management, construction management and design teams' appraisal on the supplier's performance. The supplier performance evaluation, which is a real-time assessment of the providers' performance, is the basis for classification of suppliers and is also conducive to risk management during the course of project implementation. The Company assigns a specialized construction management team to perform examination and assessment of the construction implementation. The construction management team would require the suppliers to rectify, within a specified time frame, problems identified in the evaluation process. Construction might be suspended for rectification if serious problems were identified and such suspension shall remain until satisfactory rectification is complete. Failure to rectify the defects to the Company's satisfaction may result in termination of cooperation and the supplier in question being blacklisted.

Motivation and Elimination Mechanism

The Company has established and consistently perfects the motivation and elimination mechanism for suppliers in order to strengthen supplier management and increase motivation for the suppliers and their management personnel, thereby enhancing the overall quality of the suppliers.

As regards motivation, the Company motivates suppliers by taking a series of measures in terms of cooperative process simplification, business favor, cooperation scale and goodwill incentive, considering the vendor's interests and on the basis of reasonable value standard. As regards elimination, the Company has developed a "red and yellow card" warning system to deal with the problems that may arise during the process of project implementation. In the event of situations that justify a red or yellow card warning and blacklist status, the cost management department would initiate the review procedure upon a consensus being reached by all the relevant departments of the first line companies and the cost management department of the headquarters after negotiation. Upon approval of the officers-in-charge and general managers, such suppliers would be classified as "red and yellow card" providers or blacklisted providers.

Environmental, Social and Governance Report

6. ANTI-CORRUPTION

The Company strengthens the management of risks in relation to anti-corruption and anti-bribery and internal control in accordance with national laws and regulations, such as the Criminal Law of the PRC (《中華人民共和國刑法》) and the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), and rules applicable to the Communist Party of China, such as the Criteria of Integrity and Self-discipline for Party Members (《中國共產黨廉潔自律準則》), perfecting a series of management systems.

The Company regulates the management workflow of tender, procurement, construction, sales and property services in accordance with a clear BPI Work Guidelines (《BPI工作指引》). In 2016, the Company also formulated the Code of Conduct on Integrity of Employees of Beijing Capital Land Ltd. (Trial) (《首創置業股份有限公司員工廉潔從業行為規範(試行)》) and presented a prohibition list, laying down integrity standards for its employees. The Company has made available the whistleblowing hotline and mailbox and promoted a culture of integrity in the workplace through interaction by Wechat, special conferences and exhibitions of integrity education, etc.

6.1 Comprehensive communication mechanism

The Company will perfect the pre-employment verification system. Scrutiny on prospective staff member at middle or above level will be conducted by the Company's human resources center in association with the discipline verification office which is responsible for verifying the prospective employee's record of integrity and discipline and providing verification opinions in writing.

The Company expressly requires that notification in writing should be made to the discipline verification office of its headquarters before performing any economic responsibility audit on responsible persons of its subsidiaries. Identified issues will be highlighted and verified according to the requirements of the discipline committee to which report will be made promptly upon completion of the audit.

The Company has established the Accountability Committee. Based on the evidence of the violation of laws and discipline of an employee, the Company makes decisions on whether it is necessary to conduct investigation, review investigation reports and provide advices on solutions and punishment.

6.2 Efficient whistleblowing channels

Hotline and mailbox for petitioning and whistleblowing are posted on the Company's OA platform and web portal. All issues concerning integrity and self-discipline reflected through the above channels will be handled timely in accordance with regulations.

The Company will strengthen investigation and handling of reported cases. Anonymous complaints and anonymous complaints with concrete evidence should be entertained and well accounted for. Petitions and tip-offs referred by superiors and received internally are handled seriously.

6.3 Implementation of Party Discipline and Clean Governance

The Company's leadership are required to take "one position with dual responsibilities" seriously. The Company and the leadership of each first line company have signed the "Letter Regarding the Implementation of Party Discipline and Clean Governance" (《黨風廉政建設責任書》) to shoulder the responsibilities at all levels .

To strengthen the supervision of the employment of our management staff, talks on integrity are organized, targeting new recruits or redesignated staff at middle and above levels.

Inspection is encouraged to strengthen the supervision of each first line company's performance of the responsibility to implement Party discipline and supervise the assumption of the responsibility to implement construction of integrity by the leadership of first line companies within their scope of duties.

Environmental, Social and Governance Report

7. PUBLIC WELFARE

The Company proactively participates in and organizes community service activities, and assumes and fulfills its corporate social responsibility to meet social needs based on communication with the community.

The company has donated books, school bags, computers, sporting goods and other materials to students of Beijing Capital Primary School in Ya'an (雅安首創小學), and organized social activities for promoting mutual exchange, mutual learning and friendship building among children of our property interests who are in primary schools and the students of Beijing Capital Primary School.

Chongqing company has proactively responded to the call of the headquarters by contributing, through its trade union, donations and materials with an aggregate worth of over RMB100,000 to Xiang Tang Primary School (響塘小學) over the past three years.

Biographical Details of Directors, Supervisors And Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Li Songping (李松平), aged 54, was appointed as non-executive Director in February 2016 and was appointed as Chairman of the Company in August 2016. Mr. Li is currently a senior accountant. Mr. Li joined Capital Group in March 2006, and has served as deputy general manager and director, and held the position of general manager of Capital Group since November 2015. Mr. Li has also served as a non-executive director of Beijing Capital Juda Limited (Stock Code: 1329, "Capital Juda") from February 2016 to December 2016. Prior to joining Capital Group, Mr. Li worked at State-owned 761 Factory from August 1984 to March 1995, and served as the deputy director and the director of the finance department, and he became the deputy plant manager since 1994. From March 1995 to April 1996, he was the deputy director of Electronics Industry Office of the People's Government of Beijing Municipality. From April 1996 to July 1997, he was the director and the general accountant of Beijing Jingzhi Electronics Co., Ltd.. From July 1997 to March 2000, he was the director and the general accountant of Beijing Electronic Information Industry (Group) Co., Ltd.. From March 2000 to March 2006, he was the director and the general accountant of Beijing Electronics Holdings Co., Ltd.. Mr. Li obtained a Master's degree in Management from Changchun University of Science and Technology in 2009.

EXECUTIVE DIRECTOR

Tang Jun (唐軍), aged 57, was appointed as executive Director and the President of the Company since December 2002. Mr. Tang has also served as chairman of the board and executive director of Capital Juda from December 2013 to January 2017. Mr. Tang has worked for Beijing Municipal Commission of Development and Planning from June 1986 to July 1989 and Beijing Composite Investments Company from July 1989 to October 1995. From October 1995 to May 2004, Mr. Tang was the general manager of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Tang also serves as Chairman of Yang Guang Co., Ltd. (SZSE Stock Code: 000608) since October 1997, a director of Hua Yuan Co., Ltd. (SHSE Stock Code: 600743) since October 2008. Mr. Tang obtained his Bachelor degree in Construction Engineering from Hefei University of Technology in 1982.

NON-EXECUTIVE DIRECTORS

Sun Baojie (孫寶杰), aged 46, was appointed as non-executive Director in May 2016. Ms. Sun joined the Capital Group in June 1993 and had been serving as the department manager of Beijing Capital Sunshine Real Estate Development Co., Ltd. and the general manager of its subsidiaries from June 1993 to 2001, the general manager of the subsidiaries of the Company from August 2002 to December 2005, the vice president of the Company from January 2006 to October 2013, the general manager of Beijing Capital Investment Limited from October 2013 to August 2016, and the deputy general manager of Capital Group since November 2016. Ms. Sun graduated from the Faculty of Investment and Economic Management of The Central University of Finance and Economics with a bachelor degree of economics in June 1993, graduated from Renmin University of China with a postgraduate degree majoring in investment and economics in December 1998, and graduated from Fordham University in the United States with a master degree of business administration in 2005.

Biographical Details of Directors, Supervisors And Senior Management

Sun Shaolin (孫少林), aged 58, was appointed as non-executive Director in September 2016. Mr. Sun is an engineer. He joined Capital Group in November 2004 and had served as the deputy general manager of Strategic Planning Department and the deputy supervisor of the Corporate Structure Adjustment Office, the general manager of Strategic Planning Department and the general manager of Strategic Management Department, and has served as the director and general manager of Strategic Management Department of Capital Group since August 2014, and director of Beijing Capital Co., Ltd (SHSE Stock Code: 600008) since January 2017. Mr. Sun is also a non-executive director of Capital Juda since December 2016. Prior to joining Capital Group, Mr. Sun served as a teacher at the Department of Educational Technology of Shaanxi Normal University from January 1982 to September 1985; a principal staff member of Policies and Regulations Division of the Aerospace Engineering Department, and a principal staff member and the deputy director of the Press Office of China Aerospace Corporation from October 1988 to October 1996; the deputy director of the Department of General Affairs of Special Administrative Regions of the State Council and the deputy director of Special Regions Department as well as the director of Industry Division of the Economic System Reform Office of the State Council from October 1996 to August 2003. He served as the director of System Reform Division of the National Development and Reform Commission from August 2003 to November 2004. Mr. Sun graduated from the Department of Radio Engineering of Dalian Engineering Institute in January 1982. Mr. Sun obtained a master's degree in engineering from Harbin Institute of Technology in October 1988.

Su Jian (蘇健), aged 43, was appointed as non-executive Director in September 2016. Mr. Su is a mid-level engineer. Mr. Su joined Capital Group since May 2004, and had served as an assistant to the general manager of Beijing Ark garden Real Estate Development Company Limited, the senior manager of the Real Estate Operations Management Department, deputy general manager of the Operations Management Department, and deputy general manager of the Real Estate Department of Capital Group; and has been the general manager of the Real Estate Department of Capital Group since June 2014. Mr. Su is also a non-executive director of Capital Juda since December 2016. Prior to joining Capital Group, Mr. Su served as person in charge of Infrastructure Department of the Sanlian Group in Jinan, Shandong from July 1995 to March 1999, the person in charge of infrastructure projects of Sanlian Commercial Co. Ltd. in Jinan, Shandong from March 1999 to December 2001, the real estate project manager of Sanlian Urban Construction Co., Ltd. in Jinan, Shandong from December 2001 to May 2002. Mr. Su graduated from the Department of Industrial and Civil Architecture at Yantai University in July 1995, and received Master of Business Administration degree from the School of Economics and Management of Tsinghua University in July 2004.

Yang Weibin (楊維彬), aged 42, was appointed as non-executive Director in September 2016. Mr. Yang joined Capital Group in January 2000, and had served as the project manager, senior manager, department manager, assistant to the general manager, deputy general manager, and the general manager to the Financial Consultation Department of Beijing Jingfang Investment Management & Consultant Co., Ltd., a subsidiary of Capital Group; an assistant to the general manager of Investment Banking Department and the deputy general manager of Capital Operations Department, and has been the general manager of Capital Operations Department of the Capital Group since October 2015. He has been the chairman of Chengdu Qian Feng Electronics Co Ltd (SHSE stock code: 600733) since August 2015. Prior to joining Capital Group, Mr. Yang served as an accountant of the Financial Department of China Huatong Technology Development Co. from July 1996 to September 1998, a business analyst of Operation Management Department of Desktop Computer Unit of Lenovo Computer Limited from September 1998 to December 1999. Mr. Yang obtained a bachelor degree in economics from Huazhong University of Science and Technology in June 1996.

Biographical Details of Directors, Supervisors And Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wang Hong (王洪), aged 52, was appointed as an independent non-executive Director since December 2011. Mr. Wang is a fellow and eminent member of the Royal Institution of Chartered Surveyors, a member of American Urban Land Institute, and a member of the experts' committee of China Institute of Real Estate Appraisers and Agents. From 1994 to 1996, Mr. Wang was a lecturer at National University of Singapore. From 1997 to 2000, Mr. Wang was the Group Property Manager of Global Operational Centre (Singapore) of East Asiatic Company Ltd. From 2000 to 2002, Mr. Wang was an associate professor of Institute of Real Estate Studies, School of Civil Engineering, Tsinghua University. From 2002 to June 2015, Mr. Wang was an associate professor of School of Economics and Management of Tsinghua University. Since September 2015, Mr. Wang has been the Dean (Chinese) of China Real Estate Executive Education & Research Institute. From December 2009 to June 2011, Mr. Wang was an independent non-executive director of Shenzhen Capstone Industrial Co., Ltd. (SZSE Stock Code: 000038). Mr. Wang obtained his Bachelor degree in Architecture from Tianjin University in 1985, Master degree in Architectural Design from Tsinghua University in 1989, and Master degree in Real Estate Development from Massachusetts Institute of Technology (MIT) in 1993.

Li Wang (李旺), aged 53, was appointed as an independent non-executive Director since December 2014. Mr. Li is a professor and a mentor for doctoral students in the School of Law of Tsinghua University, and a director of both Beijing Law Research Society and Chinese Society of International Law. Mr. Li has been an external supervisor of Agricultural Bank of China since June 2015. From April 1993 to March 1994, Mr. Li has served as an assistant lecturer in the School of Law of Kyoto University in Japan. Mr. Li has been a lawyer in Sakamoto Law Firm in Japan, Oh-Ebashi LPC & Partners in Japan and J&R Law Firm in Beijing since April 1994 to November 1997 successively. Since November 1997, Mr. Li has been a lecturer, associate professor and a mentor for doctoral students in the School of Law of Tsinghua University. From October 2000 to October 2015, Mr. Li has been a lawyer in the TCHHF Law Firm in Beijing. Mr. Li has been a lawyer in the Tian Tai Law Firm in Beijing since October 2015. Mr. Li obtained his Bachelor degree in Laws from China University of Political Science and Law in 1986, Master degree in Laws from Kyoto University in Japan in 1990, and Doctoral degree in Laws from Kyoto Sangyo University in Japan in 2005.

Wong Yik Chung John (黃翼忠), aged 50, has been appointed as independent non-executive Director in April 2016. Mr. Wong is a fellow member of Hong Kong institute of Certified Public Accountants and a fellow member of Australian Society of Certified Practising Accountants. He also obtained a PRC Certificate of Independent Directorship in 2011. Mr. Wong was the assistant audit manager and the audit manager of PricewaterhouseCoopers from January 1992 to January 1996. Mr. Wong was the senior manager of Ernst & Young Global Limited from January 1996 to June 1998. He was the director of Vantage & Associates from July 1998 to December 1999. Mr. Wong was the director of Deloitte & Touche Corporate Finance Limited from January 2001 to March 2003. He was the director and senior consultant of Vantage Group and TMF Group from February 2003 to June 2010. Mr. Wong has been the director of Vantage Capitals Ltd. since January 2011, Mr. Wong served as the independent non-executive director of Golden Resources Development International Limited (Stock Code: 677) from September 2004 to August 2015, Beijing North Star Company Limited (Stock Code: 588) from May 2009 to May 2015, General Steel Holdings Inc. (New York Stock Exchange stock code: GSI) from August 2005 to July 2015, Western Securities Co., Ltd. (西部證券股份有限公司) (SZSE Stock Code: 002673) from December 2007 to December 2014, Biosino Bio-Technology and Science Incorporation (Stock Code: 8247) from March 2011 to December 2015, and Yang Guang Co., Ltd. (陽光新業地產股份有限公司) (SZSE Stock Code: 000608) from November 2008 to March 2016. Mr. Wong was appointed as the independent non-executive director of Perfect Optronics Limited (Stock Code: 8311) with effect from January 2014 and EcoGreen International Group Limited (Stock Code: 2341) with effect from June 2004 and Long Ji Tai He Holding Limited (Stock Code: 1281) with effect from October 2015. Mr. Wong obtained his Bachelor degree in Economics from the University of Melbourne, Australia in 1991.

Biographical Details of Directors, Supervisors And Senior Management

SUPERVISORS

Li Zhang (李章), aged 51, has been appointed as Supervisor in September 2016. Mr. Li Zhang is a senior economist. Mr. Li joined Capital Group since June 2002 and has served as the general manager of the Legal and Audit Department, and has been the staff representative supervisor as well as the general manager of Audit Department of Capital Group since August 2011, as well as the chief auditor of Capital Group since August 2014. Prior to joining Capital Group, Mr. Li worked at the National Audit Office from July 1986 to October 1998, and served as a staff member, deputy principal staff member, principal staff member and deputy director. He served as the deputy general manager of Audit Department of China Cinda Trust & Investment Corporation from October 1998 to May 1999, and the senior manager of the Audit Department of China Cinda Asset Management Co., Ltd. from May 1999 to June 2002. He has been a director of Chengdu Qian Feng Electronics Co Ltd (SHSE Stock Code: 600733) since August 2015. Mr. Li obtained a bachelor's degree in economics from Lanzhou University of Finance in July 1986, and a master's degree in economics from Nankai University in June 1996.

Tang Yanan (湯亞楠), aged 36, was appointed as Supervisor in November 2016. Ms. Tang is an intermediate accountant. Ms. Tang joined Capital Group since February 2006 and had served as head of accounting of the Accounting Information Department of Beijing Capital Co., Ltd., accountant and assistant to general manager of the Financial Management Department of Capital Group, and served as deputy general manager of the Financial Management Department of Capital Group since January 2017. Prior to joining Capital Group, Ms. Tang served as an auditor of Beijing Jingdu Certified Public Accountants from August 2003 to February 2006. Ms. Tang obtained a Bachelor's degree in Management from the School of Business Administration of the Jingdezhen Ceramic Institute, Jiangxi Province in 2003 and a Master of Science in Finance from Hong Kong Baptist University in 2012.

Jiang Hebin (蔣和斌), aged 46, was appointed as Supervisor in December 2011. Mr. Jiang served as a project budget engineer of Beijing Central Iron & Steel Research Institute, a senior supervisor of the Planning and Consultation Department of China Energy Conservation Investment Corporation, and a budget engineer of Beijing Sunshine Real Estate Development Comprehensive Development Company from 1993 to 2002. He joined the Company in December 2002 and served as a tendering supervisor of the Department of Operation Management, a contractual budget manager, assistant to general manager and deputy general manager of Beijing Anhua Shiji Real Estate Development Company Limited, and a senior professional manager and the general manager of the Cost Control Center successively. Mr. Jiang has served as the general manager of the Risk Control Center of the Company from January 2011 to July 2014. Mr. Jiang is the general manager of the Strategic Procurement Center of the Company from July 2014 to February 2017. Mr. Jiang is general manager of Beijing Lize Financial Business District Holdings Company since October 2016. Mr. Jiang obtained a Bachelor degree in Works Pricing Management from Jiangxi University of Science and Technology in 1993 and obtained a Master degree in Management Science and Engineering from the Graduate University of Chinese Academy of Sciences in 2007.

Biographical Details of Directors, Supervisors And Senior Management

SENIOR MANAGEMENT

Hu Weimin (胡衛民), aged 52, was appointed as Vice President since December 2008. Starting from 1988, Mr. Hu had served in Beijing Shougang Corporation, China Shougang International Trade & Engineering Corp. and Beijing Certified Public Accountants Co. Ltd. successively, mainly engaged in technological management, investment management and investment consultancy. He joined Capital Group in 1999 as the manager of the investment banking department of Beijing Guanwei Investment Management and Consultancy Company. He joined the Company in 2003, and was appointed as Assistant President in January 2007. Mr. Hu has served as Secretary of the Board of Directors from August 2007 to March 2016. Mr. Hu obtained his master degree in engineering from Northeastern University in 1988.

Fan Shubin (范書斌), aged 48, was appointed as Vice President and Chief Financial Officer since October 2016. Mr. Fan served as the head of the Accounting Department of China Nonferrous Metals Industry Technology Development Company Limited from August 1992 to February 1995. He served as the manager of the Financial Department of China Rare Earth Development Company from March 1995 to April 2002. He joined Capital Group in May 2002 and served as the general manager of the Financial Management Department of Beijing Capital Co., Ltd., deputy general manager of the Planning and Financial Department and the general manager of the Financial Management Department of Capital Group. He has served as a supervisor of the Company from December 2011 to October 2016. He obtained a Bachelor's degree in Accounting of Industrial Enterprises from North China University of Technology in July 1991 and a MBA degree from Guanghai School of Management Peking University in July 2000.

Zhong Beichen (鍾北辰), aged 42, was appointed as Vice President in January 2017. Mr. Zhong served as architect of the Planning and Design Institute of the Department of Light Industry of the PRC from June 1996 to May 2000. Mr. Zhong served as architect of Beijing Sunshine Real Estate Comprehensive Development Company from May 2000 to December 2002, and served as deputy general manager of Beijing Anhua Shiji Real Estate Development Co., Ltd., subsidiary of the Company, general manager of the Commercial Property Development Department of Company Beijing Sunshine City Real Estate Development Co., Ltd., and general manager of the Product R&D Centre of the Company from January 2003 to December 2007 successively. Mr. Zhong served as Vice President of Outlets Investment Management Limited from June 2010 to August 2011. Mr. Zhong served as Assistant President and general manager of Real Estate Development Department, Vice President and general manager of Real Estate Development Department from September 2011 to December 2013. Mr. Zhong was appointed as executive director and chief executive officer of Capital Juda from January 2014 to January 2017 and was appointed as executive director and chairman of the board of Capital Juda since January 2017. Mr. Zhong obtained his Bachelor's degree in Architecture from Xiamen University in 1996.

Li Xuhua (李旭華), aged 40, was appointed as Vice President in January 2017. Mr. Li was a civil engineer of Beijing Urban Construction and Construction Engineering Co., Ltd. from July 1998 to November 2000, and a service manager of Beijing Vanke Enterprise Co., Ltd. customer service center from November 2000 to March 2004. Mr. Li joined the Company in April 2004 and served as senior manager of Marketing Department, assistant general manager of Brand Marketing Center of the Company, assistant general manager and deputy general manager of Chongqing Company and deputy general manager and general manager of Qingdao Company successively. He was appointed as the general manager of Shanghai Company since March 2015 and the Assistant President since May 2016. Mr. Li obtained a bachelor's degree in engineering from Harbin University of Architecture in 1998.

Biographical Details of Directors, Supervisors And Senior Management

SECRETARY OF THE BOARD OF DIRECTORS

Qin Yi (秦怡), aged 38, was appointed as Secretary of the Board of Directors since March 2016. Ms. Qin served in the financial department of Beijing Saike Pharmaceutical Co., Ltd. from 2000 to 2001. Ms. Qin joined the Company in July 2004 and served as a professional supervisor of business development department, senior manager of Strategy Development Centre, assistant general manager and deputy general manager of Capital Management Centre respectively. Ms. Qin has served as general manager of Capital Management Centre since February 2014. Ms. Qin obtained a Bachelor degree in Economics from China Institute of Finance and Banking in 2000 and a Master degree in Economics from School of Economics from Peking University in 2004.

COMPANY SECRETARY

Lee Sze Wai (李斯維), aged 34, was appointed as Company Secretary since November 2014. Mr. Lee is also a company secretary of Capital Juda. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. From February 2010 to August 2011, he served as financial controller and company secretary of Greenfield Chemical Holdings Limited (Stock Code: 582). From August 2011 to November 2014, he worked with Allied Group Limited (Stock Code: 373) as an assistant company secretary. He was the company secretary of Allied Overseas Limited (Stock Code: 593) from March 2012 to January 2014. Mr. Lee obtained his Bachelor degree in Economics and Finance from the University of Hong Kong in 2004.

Directors' Report

The Board of Directors is pleased to present to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Group is principally engaged in real estate development and investment, commercial real estate operation, property consulting services and investment holding.

RESULTS

The results of the Group for the year ended 31 December 2016, prepared in accordance with China Accounting Standards for Business Enterprises and its financial position as at the same date are set out on pages 89 to 96 of the annual report.

DIVIDENDS

At a Board meeting held on 20 February 2017, the Board proposed a final dividend of RMB0.20 per share based on the Company's total issued number of shares of 3,027,960,000 on the same day and the total amount payable will be approximately RMB605,592,000. This proposed dividend is not represented as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS

(a) 2016 Annual General Meeting

2016 Annual General Meeting is expected to be convened on 20 April 2017. The register of members will be closed from Thursday, 13 April 2017 to Thursday, 20 April 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates of the H shareholders must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 12 April 2017.

(b) Proposed Final Dividend

The register of members will be closed from Wednesday, 10 May 2017 to Monday, 15 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates of the H shareholders must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 9 May 2017. It is expected that the final dividend, if approved by shareholders at the forthcoming annual general meeting, will be paid on or before the end of June 2016.

ENTERPRISE INCOME TAX WITHHOLDING OF OVERSEAS NON-RESIDENT ENTERPRISES

Pursuant to the Corporate Income Tax Law of the People's Republic of China and other relevant implementation regulations which come into effect in 2008, the Company is required to withhold corporate income tax at the rate of 10% when it distributes the proposed 2016 final dividend to non-resident enterprises (as defined in the Corporate Income Tax Law of the PRC) whose names are registered on the H-share register of members of the Company at 4:30 p.m. on Monday, 15 May 2017. Such non-resident enterprises shall include HKSCC Nominees Limited.

No withholding of corporate income tax will be made in respect of dividends payable to natural persons whose names are registered on the H-share register of members of the Company. The Company will withhold corporate income tax for payment pursuant to, and in accordance with, the relevant PRC tax laws and regulations and based on the information as appeared on the H-share register of members of the Company. The Company assumes no responsibility or liability whatsoever for confirming the identity of the Shareholders and for any claims arising from any delay in or inaccurate determination of the identity of the Shareholders or any dispute over the withholding mechanism.

OTHER RESERVES

Details of movements of other reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 95 of this annual report and the Company Statement of Changes in Equity on page 96 of this annual report.

FINANCIAL HIGHLIGHTS AND FIVE YEAR FINANCIAL SUMMARY

The Group's results and summary of assets and liabilities for the last five years are set out on page 5 of this annual report.

KEY RISK FACTORS

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this Annual Report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Policy Risks:

In light of a series of regulatory policies on the property market launched by the state, the policies regarding the property industry, credit policies and land policies imposed on the Company are subject to adjustments. The uncertainty associated with those policies may expose the Group to risks and in turn cause adverse effects to our investment, operation and sales volume.

Market Risks:

The competition of land bidding within the property market is intensified in recent years. The property markets of the Group's major projects in regions such as Beijing, Tianjin and Shanghai are experiencing material changes due to the fierce competition. If the Group fails to adjust its product mix in a more prompt and efficient manner than its opponents in response to the changing market demand, the Group will become passive in the competition and exposed to material business risks.

Directors' Report

KEY RISK FACTORS *(Continued)*

Operation Risks:

Since the property market is closely related to the economy and living environment of the nation, the macroeconomic trend will influence the overall demand and supply as well as the supply structure of the property market. If the Company fails to address the changing macro-economic trend, the Company's operation, management and future development may be adversely affected.

As our property projects are characterized by the nature of long development cycle, extensive investment and wide involvement of related industries and business partners, any defaults made by our clients, suppliers and business partners or any deficiency or failure of our internal control may cause negative effects on the business operation of the Company. In addition, even the Group has established precaution systems and policies against accidents, there are still chances of accidents which may result in a declining financial position and harms to our reputation.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's total purchase of goods and services from its five largest suppliers accounted for about 30.4% and the Group's total revenue from sales of goods and services to its five largest customers accounted for about 1.55%. The Group's total purchase of goods and services from the largest supplier accounted for about 8.35% and the Group's total revenue from sales of goods and services to the largest customers accounted for about 0.45%.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

FIXED ASSETS

Details of the movement of fixed assets of the Group during the year are set out in note 4(13) to the consolidated financial statements.

PRINCIPAL PROPERTIES

The summary of principal properties owned by the Group is set out on pages 8 to 13 of the annual report.

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

Save as disclosed below in paragraph headed "Share Capital" and "Long Term Incentive Fund Scheme", neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year under review.

LONG TERM INCENTIVE FUND SCHEME

As approved by the extraordinary general meeting held on 27 September 2007, amended by the extraordinary general meeting held on 25 September 2009 and 2013 annual general meeting held on 14 March 2014, the Company had adopted the long term incentive fund scheme (the "Scheme") which. The Scheme is proposed to encourage the directors, supervisors, senior management and core staff members of the Company for closer ties of their personal interests with the interests of the Company and of the shareholders, as well as for alignment of their personal goals with the common goal of the Company.

As at 31 December 2016, the Scheme had through the trustee purchased 6,000,000 H shares, representing 0.59% of H shares and 0.20% of the entire issued share capital of the Company. The purchased shares have been held in trust by the trustee.

EQUITY-LINKED AGREEMENTS

As of 31 December 2016, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company.

DIRECTORS AND SUPERVISORS

The directors and supervisors for the year are as follows:

Directors

Non-Executive Director

Mr. Li Songping (*Chairman*) (*Appointed as Non-executive Director on 26 February 2016 and appointed as chairman on 17 August 2016*)

Executive Directors

Mr. Tang Jun (*President*)

Mr. Wang Hao (*Resigned on 6 September 2016*)

Mr. Zhang Shengli (*Resigned on 24 May 2016*)

Non-Executive Directors

Ms. Sun Baojie (*Appointed on 24 May 2016*)

Mr. Sun Shaolin (*Appointed on 6 September 2016*)

Mr. Su Jian (*Appointed on 6 September 2016*)

Mr. Yang Weibin (*Appointed on 6 September 2016*)

Mr. Liu Xiaoguang (*Resigned on 26 February 2016*)

Mr. Song Fengjing (*Resigned on 6 September 2016*)

Mr. Shen Jianping (*Resigned on 6 September 2016*)

Independent Non-Executive Directors

Mr. Wang Hong

Mr. Li Wang

Mr. Wong Yik Chung, John (*Appointed on 29 April 2016*)

Mr. Ng Yuk Keung (*Resigned on 29 April 2016*)

Supervisors

Mr. Li Zhang (*Appointed on 6 September 2016*)

Mr. Tang Yanan (*Appointed on 7 November 2016*)

Mr. Jiang Hebin

Mr. Liu Yongzheng (*Resigned on 6 September 2016*)

Mr. Fan Shubin (*Resigned on 21 October 2016*)

The biographical details of directors, supervisors and senior management are set out on pages 54 to 59 of the annual report.

Directors' Report

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE EMOLUMENTS

Details of directors, supervisors and chief executive emoluments are set out in note 9(8) to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

Details of the five individuals with the highest remuneration of the Group during the year are set out note 9(9) of the consolidated financial statements.

MANAGEMENT CONTRACTS

Except for the connected transactions as stated in this report, no contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2016, none of the directors, supervisors and chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. None of the directors, supervisors and chief executive of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for equity or debt securities of the Company, nor had any of them exercised such rights during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

Apart from service contracts in relation to the Company's business, no contract of significance to which the Company, its holding company, any of its subsidiaries or its fellow subsidiaries was a party, and in which a director or supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the year and up to the date of this report, the Company and Capital Juda had entered into a non-competition deed, in which the Group (other than Capital Juda and its subsidiaries) undertook that they shall not engage in property business in any of the selected cities in the PRC and any outlets business (except for Hainan Capital Outlets), details of which may refer to the Company circular dated 30 June 2016. Accordingly, none of the directors or supervisors or management shareholders has any interest in business which competes or may compete with the business of the Group under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SHARE CAPITAL

As at 31 December 2016, there was a total issued share capital of 3,027,960,000 shares of the Company (the “Shares”) which include:

	Number of Shares	Approximate percentages of share capital
Domestic Shares	1,649,205,700	54.47%
Non-H Foreign Shares	357,998,300	11.82%
H Shares	1,020,756,000	33.71%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2016, the following persons (not being director or chief executive of the Company), so far as is known to any director, had interests or short positions in the Shares and 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:

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentages in relevant class of shares (%)			Approximate percentages in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Capital Group	1,649,205,700 (Note 1)	Non-listed Shares	82.17 (long position)	–	82.17	54.47 (long position)	–	54.47
Beijing Rongtong Zhenghe Investment Management Co., Ltd. (“Rongtong Zhenghe”)	357,998,300 (Notes 1 and 2)	Non-listed Shares	–	17.83 (long position)	17.83	–	11.82 (long position)	11.82
Guoda Limited	357,998,300 (Note 3)	Non-listed Shares	–	17.83 (long position)	17.83	–	11.82 (long position)	11.82
China Resource Products Limited (“China Resource”)	357,998,300 (Note 4)	Non-listed Shares	13.71 (long position)	4.12 (long position)	17.83	9.09 (long position)	2.73 (long position)	11.82
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	4.12 (long position)	–	4.12	2.73 (long position)	–	2.73
Reco Pearl Private Limited	165,070,000	H Shares	16.17 (long position)	–	16.17	5.45 (long position)	–	5.45
Recosia China Pte Ltd.	165,070,000 (Note 5)	H Shares	–	16.17 (long position)	16.17	–	5.45 (long position)	5.45
Recosia Pte Ltd.	165,070,000 (Note 6)	H Shares	–	16.17 (long position)	16.17	–	5.45 (long position)	5.45
Government of Singapore Investment Corporation (Realty) Pte Ltd.	165,070,000 (Note 7)	H Shares	–	16.17 (long position)	16.17	–	5.45 (long position)	5.45

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES *(Continued)*

Notes:

- 1,649,205,700 Shares are directly held by Capital Group. As at 31 December 2016, China Resource Products Limited is held as to 31.53% by Beijing Sunshine Real Estate Comprehensive Development Company (北京陽光房地產綜合開發公司), which in turn is wholly-owned by Capital Group. Accordingly, Capital Group is not deemed to be interested in 275,236,200 Shares held through China Resource Products Limited and 82,762,100 Shares held through China Resource Products Limited and Yieldwell International Enterprise Limited pursuant to the SFO.
- 275,236,200 Shares are deemed corporate interests pursuant to the SFO indirectly held through Guoda Limited and China Resource Products Limited. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through Guoda Limited, China Resources Products Limited and Yieldwell International Enterprise Limited.
- 275,236,200 Shares are deemed corporate interests pursuant to the SFO indirectly held through China Resource Products Limited. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through China Resources Products Limited and Yieldwell International Enterprise Limited.
- 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through Yieldwell International Enterprise Limited.
- 165,070,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited.
- 165,070,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited and Recosia China Pte Ltd.
- 165,070,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited, Recosia China Pte Ltd. and Recosia Pte Ltd.

Save as disclosed above, so far as is known to the directors, there was no person (other than a director or chief executive of the Company) who, as at 31 December 2016, 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.

DESIGNATED DEPOSIT AND DUE FIXED DEPOSIT

As at 31 December 2016, the Group had no Designated Deposit and Due Fixed Deposit.

EMPLOYEES

As at 31 December 2016, the Group had 2053 staff. Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include provident fund schemes, medical insurance scheme, unemployment insurance scheme and housing provident fund.

The Group has also adopted, and was subsequently amended in 2014, the Long Term Incentive Fund Scheme, details of which have been disclosed in the circular dated 13 February 2014 and approved in the Annual General Meeting held on 14 March 2014.

STAFF HOUSING QUARTERS

During the year, the Group did not provide any housing quarters to its staff.

CONNECTED TRANSACTIONS

- (a) On 1 April 2016, Beijing Ruiyuan Fengji Real Estate Development Co. Ltd. (北京瑞元豐吉置業有限公司) ("Ruiyuan Fengji", a wholly-owned subsidiary of the Company) and Beijing Capital Construction Investment Fund (Limited Partnership) (北京首創新城鎮建設投資基金(有限合夥)) ("XCapital Fund") (a connected person of the Company) entered into the joint venture agreement pursuant to which the parties agreed to establish a joint venture company ("Fa Shang Joint Venture Company"). The registered capital of Joint Venture Company is RMB90,000,000 and Ruiyuan Fengji and XCapital Fund agreed to contribute RMB52,200,000 and RMB37,800,000 respectively, being 58% and 42% of the registered capital of Fa Shang Joint Venture Company. Capital Fund is an associate of Capital Group. Fa Shang Joint Venture Company is principally engaged in obtaining and implementing the primary land development of the project in Fa Shang Industrial Park, Daxing District, Beijing* (北京市大興區青雲店鎮堡上工業園). Details of which has been disclosed in the announcement dated 1 April 2016.
- (b) On 11 April 2016, the Company entered into the Underwriting Agreement with Capital Securities Co., Ltd. (首創證券有限責任公司) ("Capital Securities") (a connected person of the Company) and the other underwriters in relation to the underwriting of the Company's proposed private placement of the Domestic Corporate Bonds in the PRC, with the underwriting commission not more than an aggregate of RMB40,000,000. Capital Securities is an associate of Capital Group. Details of which has been disclosed in the announcement dated 11 April 2016.
- (c) On 3 June 2016, the Group entered into the following agreements with Capital Group and its subsidiaries, namely Beijing Capital Investment Development Limited (首創投資發展有限公司) ("Capital Investment"), Beijing Capital Fangzhou Real Estate Company Limited (北京首創方舟置業有限公司) ("Capital Fangzhou"), Beijing Chuangzhi Trust Finance Investment Centre (Limited Partnership) (北京創智信融投資中(有限合夥)) ("Chuangzhi Trust") and Beijing Xinwei Infrastructure Investment Limited (北京信威基礎設施投資有限公司) ("Xinwei Infrastructure") for the transfer of the equity interests in the Target Companies:
- (i) Donghuan Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to acquire, and Capital Group has conditionally agreed to sell, the entire equity interest in Beijing Donghuan Xinrong Investment Management Limited (北京東環鑫融投資管理有限公司) ("Donghuan Xinrong") at a consideration of RMB1,297,830,000 and the shareholders' loan in the amount of approximately RMB269,412,000;
 - (ii) Liujin Equity Transfer Agreement, pursuant to which Beijing Zhongzhi Dingfu Property Development Limited (北京眾置鼎福房地產開發有限公司) (a wholly-owned subsidiary of the Company) has conditionally agreed to acquire, and Capital Investment has conditionally agreed to sell, 60% equity interest in Beijing Liujin Zhiye Land Limited Liability Company (北京鑒金置業有限責任公司) ("Liujin Zhiye") at a consideration of RMB1,182,000,000 and the shareholders' loan in the amount of approximately RMB967,702,000;
 - (iii) Chongqing Equity Transfer Agreement, pursuant to which Beijing Xinli Yeda Investment Consulting Limited (北京鑫利業達投資諮詢有限公司) (a wholly-owned subsidiary of the Company) has conditionally agreed to acquire, and Chuangzhi Trust and Xinwei Infrastructure have conditionally agreed to sell, the entire equity interest in Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) at a consideration of approximately RMB280,000 and the shareholders' loan in the amount of approximately RMB209,915,000; and
 - (iv) Shenyang Equity Transfer Agreement, pursuant to which Beijing Xinli Yeda Investment Consulting Limited (北京鑫利業達投資諮詢有限公司) has conditionally agreed to acquire, and Capital Investment has conditionally agreed to sell, the entire equity interest in Shenyang Haohua Land Limited (瀋陽昊華置業有限公司) at a consideration of approximately RMB328,000 and the aggregate shareholders' loan in the amount of approximately RMB275,228,000. Capital Investment, Capital Fangzhou, Chuangzhi Trust and Xinwei Infrastructure are subsidiaries of Capital Group, and Capital Group is the controlling shareholder of the Company and therefore, Capital Group, Capital Investment, Capital Fangzhou, Chuangzhi Trust and Xinwei Infrastructure are connected persons of the Company. Details of which has been disclosed in the announcement dated 3 June 2016 and the circular dated 28 June 2016.

For the year ended 31 December 2016, the acquisition of Donghuan Xinrong and Liujin Zhiye was completed.

Directors' Report

CONNECTED TRANSACTIONS *(Continued)*

- (d) On 28 June 2016, Ruiyuan Fengji and XCapital Fund entered into the joint venture agreement pursuant to which the parties agreed to establish a joint venture company ("Da Xing Joint Venture Company") with registered capital of a total of RMB90,000,000. Ruiyuan Fengji agreed to contribute RMB63,000,000, being 70% of the registered capital of Da Xing Joint Venture Company. Da Xing Joint Venture Company is principally engaged in obtaining and implementing the primary land development of the project in the primary land development of the land at Bai Ge Zhuang new village, Da Xing Zhuang town, Beijing (北京市大興莊鎮白各莊新村). Details of which has been disclosed in the announcement dated 28 June 2016.

CONTINUING CONNECTED TRANSACTION

As mentioned in (c) of Connected Transactions above, for the year ended 31 December 2016, the acquisition of Donghuan Xinrong was completed. Donghuan Xinrong and Capital Group has entered into the Lease Agreement, pursuant to which Donghuan Xinrong has agreed to lease certain units in Capital Building (首創大廈) to Capital Group after completion of the transfer of equity interest in Donghuan Xinrong for self-use by Capital Group, subject to the completion of the transfer of equity interest in Donghuan Xinrong. The lease term will be for three years commencing from the completion of the equity transfer of Donghuan Xinrong and the total annual rent receivable by Donghuan Xinrong is RMB25,294,830, exclusive of property management fees, water and electricity fees and other charges.

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that such transactions (a) were in the ordinary and usual course of business of the Group; (b) were undertaken on normal commercial terms or better terms; and that (c) the Transaction Agreements were entered into in a fair and reasonable manner and in the interests of the shareholders of the Company as a whole and such transactions have been carried out in accordance with the agreements governing the transactions.

Pursuant to Rule 14A.56 of the Listing Rules, the Board of Directors has engaged the auditor of the Company to conduct an examination of the above continuing connected transactions between Donghuan Xinrong and Capital Group for the year ended 31 December 2016. The auditor has issued a letter setting out their conclusion of the continuing connected transactions of the Group disclosed above and it is concluded that they have not identified any matter that shows non-compliance with the Rule 14A.56 of the Listing Rules. The Board further wishes to add that the auditors of the Company confirm that the Continuing Connected Transactions (i) were approved by the Board; (ii) were conducted pursuant to the relevant agreements entered into; and (iii) were undertaken without caps being exceeded.

The Company confirms that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the transactions set out above.

USE OF PROCEEDS FROM ISSUE OF NEW SHARES

On 10 August 2015, the Company and Capital Group entered into a subscription agreement, pursuant to which Capital Group subscribed 1 billion new domestic shares of the Company in cash at a subscription price of RMB3.08 per share. The fund raising was completed on 22 October 2015, with net proceeds amounting to RMB3,068 million in aggregate after deducting the issuance expenses.

According to the circular regarding the private issue of domestic shares of the Company dated 11 September 2015, approximately RMB1,342 million out of the proceeds was intended to be applied to investment into the three projects in the Beijing-Tianjin area, namely Phase I of Wuqing Project, Xanadu Building No. 5 Project and Shijingshan Project; approximately RMB1,116 million to be applied to investment and development of potential projects on the near future; and the remaining proceeds, representing approximately 20% of the total net proceeds, to be applied to enhance general working capital of the Company. As at 31 December 2016, the net proceeds were utilised for the following purposes:

The use of proceeds from the private issue of domestic shares in 2016 Unit: (RMB'million)

Intended use of proceeds as set out in the circular	Intended amounts to be utilized as set out in the circular	Actual amounts intended to be utilized (Note 1)	Actual amounts utilized as at 31 December 2016	Amounts not yet utilized as at 31 December 2016 (Note 2)
Phase I of Wuqing Project	313.5	313.5	313.5	–
Xanadu Building No. 5 Project	519.3	519.3	1.3	518.0
Shijingshan Project	510.1	510.1	510.1	–
Enhancement of general working capital	614.1	609.0	609.0	–
Investment and development of potential projects	1,116.0	1,116.0	–	1,116.0

Note 1: As mentioned in the circular regarding the private issue of domestic shares of the Company in 2015, approximately RMB3,073 million out of the gross proceeds after deducting the estimated issuance expenses was expected to be utilized for the aforesaid projects. On 22 October 2015, the fund raising was completed, with the actual proceeds amounting to RMB3,068 million in aggregate after deducting the issuance expenses.

Note 2: As at 31 December 2016, the unutilized proceeds of the Company was deposited into the bank account opened with the Company. The remaining proceeds will be utilized according to the use of proceeds disclosed in the circular and the actual development plan of projects.

LONG-TERM BORROWINGS

Details of the long-term borrowings of the Group are set out in note 4(28) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and related laws which oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUBSIDIARIES

Details of the Company's significant subsidiaries are set out in note 6(1) to the consolidated financial statements.

Directors' Report

POLICIES ON INCOME TAX

The Company and its subsidiaries paid PRC corporate income tax at a rate of 25% of its assessable profits according to the relevant laws and regulations in the PRC.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 71 to 83.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit at any of the directors of the Company (whether made by the company or otherwise) or an associated company (if made by the Company).

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers Zhong Tian LLP, who retire and being eligible, offer themselves for reappointment. A resolution reappointing PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Li Songping

Chairman

Hong Kong, 20 February 2017

Corporate Governance Report

The Company is firmly committed to maintaining high standards of corporate governance and continues to uphold a good, solid and sensible framework of corporate governance. The Board considers such commitment is essential for the development of the Company, in its internal management, financial management, balance of business risk and protection of shareholders' and stakeholders' rights and enhancement of shareholder value.

It has been the Company's prime mission to carry out a sound, steady and reasonable corporate governance structure:

- Sound corporate governance bases itself upon accountability system, information disclosure and corporate transparency. The Company acknowledges the importance to provide shareholders with an open and highly transparent management.
- Sound corporate governance may also promote communication with external parties, such that investors can appreciate more of the Company's development potential and future prospects, to comprehend investment value of the Company.
- The procedures and systems under sound corporate governance can improve operation efficiency of the Group, such that all divisions or departments can contribute to enhance performance of the Group through close and intimate communication.

The Board has reviewed its corporate governance practices and ensured that they are in compliance with the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in the year ended 31 December 2016.

In addition to compliance of the code provisions of the Corporate Governance Code, the Company has also adopted, as far as practicable, recommended best practices in the Corporate Governance Code.

The status and details of the Company's corporate governance practices are set out below.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding directors' securities transactions (the "Model Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry made by the Group that they have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises 9 Directors, including one Executive Directors, five Non-executive Directors and three Independent Non-executive Directors; the profile of each Director is set out on pages 54 to 56 under the section of Biographical Details of Directors, Supervisors and Senior Management. The majority of the Directors are non-executive directors and independent of the management, thereby promoting critical review and control of the management process. The non-executive directors also bring a wide range of business and financial expertise to the Board, which contribute to the effective stewardship of the Group.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

The Board held four physical Board meetings in 2016. Directors who cannot attend in person may participate through other electronic means of communication. Agenda to be discussed in Board meetings include business operation, financial planning and future strategic development of the Company. Due notice and relevant materials for the meeting were given to all directors prior to the meetings in accordance with the Company's articles of association and the Corporate Governance Code. Details of individual attendance of directors are set out in the following table:

Attendance of individual Directors at Board meetings in 2016:

	Number of attendance/ Number of meeting
<i>Non-Executive Director</i>	
Mr. Li Songping (<i>Chairman</i>) (<i>Appointed as Non-executive Director on 26 February 2016 and appointed as chairman on 17 August 2016</i>)	4/4
<i>Executive Directors</i>	
Mr. Tang Jun (<i>President</i>)	4/4
Mr. Wang Hao (<i>Resigned on 6 September 2016</i>)	4/4
Mr. Zhang Shengli (<i>Resigned on 24 May 2016</i>)	2/2
<i>Non-Executive Directors</i>	
Ms. Sun Baojie (<i>Appointed on 24 May 2016</i>)	2/2
Mr. Sun Shaolin (<i>Appointed on 6 September 2016</i>)	0/0
Mr. Su Jian (<i>Appointed on 6 September 2016</i>)	0/0
Mr. Yang Weibin (<i>Appointed on 6 September 2016</i>)	0/0
Mr. Liu Xiaoguang (<i>Resigned on 26 February 2016</i>)	0/0
Mr. Song Fengjing (<i>Resigned on 6 September 2016</i>)	4/4
Mr. Shen Jianping (<i>Resigned on 6 September 2016</i>)	4/4
<i>Independent Non-Executive Directors</i>	
Mr. Wang Hong	4/4
Mr. Li Wang	4/4
Mr. Wong Yik Chung, John (<i>Appointed on 29 April 2016</i>)	2/2
Mr. Ng Yuk Keung (<i>Resigned on 29 April 2016</i>)	2/2

RESPONSIBILITIES OF DIRECTORS

The Board is responsible for directing and supervising the overall business development of the Group in a responsible and effective manner. The Board maintains and promotes successful business development of the Group and endeavours to enhance shareholder value. The Board is under the leadership of the Chairman and each director makes decisions objectively in the overall interests of the Group. Control and day to day operation of the Company is delegated to the President and the management of the Company.

Corporate Governance Report

RESPONSIBILITIES OF DIRECTORS *(Continued)*

The Directors are aware of their collective and individual responsibilities to the Company and its shareholders for the manner in which the affairs of the Company are managed, controlled and operated. In general, the types of decisions which are to be taken by the Board in accordance with the Company's article of associations are as follows:

1. Power of managing the development strategy and plan of the Company:

(1) those requiring approval from the shareholders' general meeting:

1. formulation of the middle to long-term development objectives and strategy of the Company;
2. formulation of proposals for asset acquisition, purchase by third parties or asset disposal;
3. formulation of plans for the increase or reduction of registered capital of the Company or repurchase of shares;
4. formulation of plans for the increase of share capital and issue of additional shares;
5. formulation of proposals for the merger, separation and dismissal of the Company;
6. tendering insolvency petition of the Company;
7. formulation of amendment proposal to the Company's articles of association;
8. formulation of proposals for the change of use of proceeds from the issue of shares.

(2) those that may be exercised by the Board at its discretion:

1. resolution on proposals to improve the operation management and operating results of the Company;
2. resolution on the operating plans, audit plans and investment plans of the Company;
3. resolution on proposals to adjust the substantial internal functions of the Company and establishment of functions under the Board;
4. resolution on the establishment of ad hoc committees and the appointment and removal of their members;
5. resolution on investment plans falling within the scope of authority of the Board;
6. resolution on any other material operation issues not required to be resolved by shareholders' general meeting pursuant to the Company's articles of association or the rules set out herein.

2. Power of personnel management on senior officers of the Company:

(1) those requiring approval from the shareholders' general meeting:

1. formulation of director allowance and incentive schemes such as share option or warrant (or similar schemes) of the Company;
2. assessment and consideration of the eligibility of candidates for election as directors or independent directors;
3. proposing for the removal of a director.

Corporate Governance Report

RESPONSIBILITIES OF DIRECTORS *(Continued)*

2. Power of personnel management on senior officers of the Company: *(Continued)*

- (2) those that may be exercised by the Board at its discretion:
 1. resolution on the strategy and plan of human resources development and deployment;
 2. definition of the major duties and authorities of the general manager, responsible person for financial matters, secretary to the Board and the auditing department;
 3. appointment or dismissal of the general manager, secretary to the Board, or the appointment or dismissal of the deputy general manager or responsible person for financial matters of the Company pursuant to recommendation of the general manager;
 4. evaluation of the work performance of the general manager;
 5. approval of the appointment of representatives of the shareholders to the subsidiaries or associates of the Company and nomination of directors, supervisors and responsible persons for financial matters to such companies pursuant to their articles of association or the relevant agreements;
 6. approval of the plan of staff provident fund and other staff benefit plans.

3. Power of supervision and inspection of the development and operation of the Company:

- (1) supervision of the implementation of the Company's development strategy;
- (2) supervision and inspection of the implementation of annual budgets and accounts of the Company; inspection of the progress of various plans;
- (3) assessment of the operating results of the Company to identify operating problems, propose recommendations accordingly and supervision of the implementation by the Company's senior officers;
- (4) assessment of the operation improvement plans and implementation status of the Company and identify significant problems reflected from the operating results;
- (5) identify difficulties faced by the Company in its development and changing trends of the Company and proposing remedial recommendations thereon;
- (6) deliberation of the development opportunities and risks faced by the Company and changes of external factors that have extensive effects on the Company;
- (7) ensuring the smooth communication of information within the Company and evaluation of such information to ensure its accuracy, completeness and timeliness;
- (8) requesting the management to provide minutes of operation meetings to the Secretary to the Board after each such meeting.

The Directors acknowledge their responsibility for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2016, the Directors have selected suitable accounting policies and applied them consistently; made judgement that are prudent, fair and reasonable. The Directors are responsible for keeping proper accounting records and ensure the preparation of financial statements of the Group for the year under review are in accordance with statutory requirements and suitable accounting policies.

RESPONSIBILITIES OF DIRECTORS *(Continued)*

3. Power of supervision and inspection of the development and operation of the Company: *(Continued)*

The appointment of new Directors will be considered by the Nomination Committee (duties of the Nomination Committee is set out in the latter part of this report) and decided by all members of the Board. Candidates to be selected and recommended are experienced, high caliber individuals who meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules.

The Board has established a Policy on Obtaining Independent Professional Advice by Directors to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Group's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director(s) to discharge his/their duties to the Group.

There is in place a directors and senior executive liabilities insurance cover in respect of legal action against directors and senior executives.

For the year ended 31 December 2016, the Board at all times complied the minimum requirements of the Listing Rules relating to the appointment of at least one-third of independent non-executive directors and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise.

The interests in the Company's securities held by Directors as at 31 December 2016 are disclosed in the Directors' Report on page 64 of this annual report.

There is no relationship among members of the Board and in particular, between the Chairman and the President.

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

Since 1 April 2012, the Company prepares monthly operation updates to all directors to enable them to aware the Company's latest business development, competition and supervisory environment and provide other relevant information that may affect the Company and the real estate sector so as to strengthen the directors understanding of the business and the market.

Corporate Governance Report

RESPONSIBILITIES OF DIRECTORS *(Continued)*

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

	Types of training
<i>Non-Executive Director</i>	
Mr. Li Songping (<i>Chairman</i>) (<i>Appointed as Non-executive Director on 26 February 2016 and appointed as chairman on 17 August 2016</i>)	A/B/C
<i>Executive Directors</i>	
Mr. Tang Jun (<i>President</i>)	A/C
Mr. Wang Hao (<i>Resigned on 6 September 2016</i>)	A/C
Mr. Zhang Shengli (<i>Resigned on 24 May 2016</i>)	A/C
<i>Non-Executive Directors</i>	
Ms. Sun Baojie (<i>Appointed on 24 May 2016</i>)	A/C
Mr. Sun Shaolin (<i>Appointed on 6 September 2016</i>)	A/C
Mr. Su Jian (<i>Appointed on 6 September 2016</i>)	A/C
Mr. Yang Weibin (<i>Appointed on 6 September 2016</i>)	A/C
Mr. Liu Xiaoguang (<i>Resigned on 26 February 2016</i>)	A/C
Mr. Song Fengjing (<i>Resigned on 6 September 2016</i>)	A/C
Mr. Shen Jianping (<i>Resigned on 6 September 2016</i>)	A/C
<i>Independent Non-Executive Directors</i>	
Mr. Wang Hong	A/C
Mr. Li Wang	A/C
Mr. Wong Yik Chung, John (<i>Appointed on 29 April 2016</i>)	A/C
Mr. Ng Yuk Keung (<i>Resigned on 29 April 2016</i>)	A/C

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive director an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors to be independent.

According to the Company's articles of association, the term of office for the Directors is three years and can be re-elected. The fifth session of the Board of Directors was formed on 5 December 2014 with 3-year term of office and can be re-elected.

CHAIRMAN AND PRESIDENT

The Chairman and President are held separately by Mr. Li Songping and Mr. Tang Jun respectively. This segregation ensures a clear distinction between the Chairman's responsibility to lead the Board and the President's responsibility to manage the Company's business.

Corporate Governance Report

BOARD COMMITTEES

The Board has established four board committees, namely, Audit Committee, Nomination Committee, Remuneration Committee and Strategic Committee to strengthen its functions and corporate governance practices. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific duties in accordance with their respective written terms of reference. The Strategic Committee assists the Group in corporate strategy, business development and operation.

AUDIT COMMITTEE

The Group's Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Wong Yik Chung, John (Chairman), Mr. Wang Hong and Mr. Li Wang. The committee members performed their duties within written terms of reference formulated by the Company which includes duties set out in the code provision C.3.3 (a) to (n) of the Corporate Governance Code. Major duties include:

- to review the financial controls, internal control and risk management systems of the Group.
- to monitor the integrity of financial statements of the Company, the comprehensiveness of the Company's annual report and accounts, and interim report. The Committee will approve those important decisions related to financial disclosure set out therein prior to submitting to the Board, in which emphasis will be given to the following:
 - make recommendations to the Board regarding the appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of appointment of external auditors as well as handle any problems relating to the resignation or dismissal of that auditor;
 - review and monitor the independence and objectiveness of the external auditors and the effectiveness of the auditing procedures with appropriate standards;
 - develop and implement policy on engaging external auditors for the provision of non-audit services, report to the Board those actions and improvement measures considered necessary by the Audit Committee and suggest practical measures.

The Audit Committee's procedural rules are posted on the websites of the Company and HKEX.

During the year under review, the Audit Committee held a total of nine meetings. In the meetings, the Audit Committee reviewed the financial statements for the year ended 31 December 2015 and for the six months ended 30 June 2016, considered and approved the work of the auditors, reviewed the business and financial performance of the Company, and review and made recommendation to the Board for the connected transactions of the Company.

Attendance of individual members at Audit Committee meetings in 2016:

	Number of Attendance/ Number of Meeting
Mr. Wong Yik Chung, John (<i>Appointed on 29 April 2016</i>)	4/4
Mr. Wang Hong	9/9
Mr. Li Wang	9/9
Mr. Ng Yuk Keung (<i>Resigned on 29 April 2016</i>)	5/5

The Group's results for the year ended 31 December 2016 have been reviewed by the Audit Committee with a recommendation to the Board for approval.

Corporate Governance Report

NOMINATION COMMITTEE

The Group's Nomination Committee is responsible for review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. It is also responsible for making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors, supervisors of the Company and senior executives and succession planning for directors in particular executive directors and senior executives. Majority members of the Nomination Committee are Independent Non-executive Directors. It is chaired by Mr. Wang Hong with two other members, namely, Mr. Li Songping and Mr. Wong Yik Chung, John.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time.

During the year under review, the Nomination Committee held six meetings for annual review of the current Board structure, assessment of the independence of independent non-executive directors, reviewing the Nomination Committee's procedural rules, and made recommendation to the Board for the appointment of Mr. Li Songping as a non-executive director and Chairman, and the appointment of Ms. Sun Baojie, Mr. Sun Shaolin, Mr. Su Jian and Mr. Yang Weibin as a non-executive directors, the appointment of Mr. Wong Yik Chung, John as independent non-executive director, and the appointment of Mr. Fan Shubin as Vice President and Chief Financial Officer.

The Nomination Committee's procedural rules are posted on the websites of the Company and HKEX.

Attendance of individual members at Nomination Committee meeting in 2016:

	Number of Attendance/ Number of Meeting
Mr. Wang Hong	6/6
Mr. Li Songping (<i>Appointed on 6 September 2016</i>)	1/1
Mr. Wong Yik Chung, John (<i>Appointed on 29 April 2016</i>)	3/3
Mr. Wang Hao (<i>Resigned on 6 September 2016</i>)	5/5
Mr. Ng Yuk Keung (<i>Resigned on 29 April 2016</i>)	3/3

REMUNERATION COMMITTEE

The Group's Remuneration Committee is responsible for providing recommendations to the Board regarding the Group's remuneration policy, the formulation and reviewing of the specific remuneration for the Group's Executive Directors and senior executives. Majority members of the Remuneration Committee are Independent Non-executive Directors. The committee is chaired by Mr. Wang Hong with two other members, namely, Mr. Sun Shaolin and Wang Yik Chung, John.

During the year under review, the Remuneration Committee held one meeting to review the remuneration of the directors, supervisors and senior management, the Long Term Incentive Fund Scheme and relevant matters, and made recommendation to the board.

The Remuneration Committee's procedural rules are posted on the websites of the Company and HKEX.

Corporate Governance Report

REMUNERATION COMMITTEE *(Continued)*

Attendance of individual members at Remuneration Committee meeting in 2016:

	Number of Attendance/ Number of Meeting
Mr. Wang Hong	1/1
Mr. Sun Shaolin <i>(Appointed on 6 September 2016)</i>	0/0
Mr. Wong Yik Chung, John <i>(Appointed on 29 April 2016)</i>	0/0
Mr. Song Fengjian <i>(Resigned on 17 August 2016)</i>	1/1
Mr. Ng Yuk Keung <i>(Resigned on 29 April 2016)</i>	1/1

Major written terms of reference of the current remuneration system of the directors and supervisors of the Company are set out below:

1. Policy

The Remuneration Policy for the Directors and Supervisors of the Company is based on the following principles:

- No one is allowed to determine his or her own remunerations;
- The remuneration levels should tally with the Company's competitors in the human resources market;
- The remuneration levels should be able to reflect the performances, complexity of work, and responsibilities of related staff; and to attract, motivate and retain outstanding staff, encouraging them to proactively excel and add values for the shareholders of the Company.

2. Non-executive Directors and Supervisors

Principle for Determining Remuneration

The fees of the Non-Executive Directors of the Company should tally with market level, and be subject to formal independent review at least once every 3 years.

3. Executive Directors

Components of Remuneration

The Company determines the remunerations of the executive directors by referring to the statistics of similar positions in the market (including local and regional companies with similar scope, business complexity and scale to the Company). Such policy conforms to the remuneration policy of the Company which tallies with our competitors in the human resources market. In addition, in order to attract, motivate and retain outstanding staff, the Company takes performance as the primary consideration for grant of individual rewards.

The Company does not adopt any share option scheme.

No director has entered into any service contract with the Company or its subsidiaries, which terms provide for a notice period of over one year, or which provide for compensation in the form of more than one-year's salary plus benefits-in-kind upon termination of employment.

Corporate Governance Report

STRATEGIC COMMITTEE

The main function of the Group's Strategic Committee is to study and advise on the Group's long-term development strategies and major investment decision. The Strategic Committee undertakes to review and adjust the strategies of the Company. It is composed of Mr. Li Songping as Chairman of the Strategic Committee and Mr. Tang Jun and Mr. Wang Hong as members of the committee.

CORPORATE GOVERNANCE FUNCTIONS

The Board is primarily responsible for performing the following corporate governance duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors; and
- to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the year, the Board performed the following corporate governance matters:

- review of the effectiveness of the internal controls and risk management systems of the Company
- to amend the Company's Corporate Governance Code and practices and to make recommendations

INTERNAL CONTROLS

With the continuous efforts of the Board, management and all staff, the Company has established a more comprehensive and effective internal control system and prepared a "BCL's Internal Controls Manual (首創置業內控手冊)" so as to safeguard the corporate operating management regulations, asset security, financial reporting and the fairness, accuracy and completeness of the relevant information in a rational manner.

1. For the internal condition, the Company has formulated a clear strategic plan, established the corporate culture of "five-colour-flower" with distinct BCL characteristics and promoted the overall awareness of risk management.
2. For the risk management, the Company has expressed our continued concern on the changes in internal and external situations and conducted various risk assessment on an ongoing basis so as to establish a BCL's database meeting our business requirement and facilitating the actual operation.
3. For the control activities, the Company has established a better business process system and included the risk control points into our business process so as to realise the implementation of risk management.
4. For the information and communication, the Company has established an industry-leading Enterprise Resource Planning (ERP), covering financial, human resources, overall cost management, business management and overall budgeting management etc., which generally enhanced the corporate internal controls through informationisation and promoted the implementation of business process.

Corporate Governance Report

INTERNAL CONTROLS *(Continued)*

5. For the internal controls, the Company has established an internal control functional structure, of which divided into three classes from top to bottom and formed three lines of defense for the risk controls, including three aspects such as self-supervision of the Company, operational supervision of the headquarters operations centre and auditing supervision of risk control centre, as well as covering the whole chain of the Company's business to ensure overall supervision.

The Risk Control Centre has submitted its report to the audit committee. The audit committee and the Board consider that the risk management and internal control system of the Company operates smoothly.

EXTERNAL AUDITORS

The Board agreed with the Audit Committee's proposal for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the Group's external auditors. The recommendation will be put forward for the approval of shareholders at the forthcoming Annual General Meeting.

The Group has established a Policy on Appointment of External Auditor in providing Non-Audit Services, setting out the principles by which an external auditor may be appointed to provide non-audit services, with a view to ensuring the independence of the external auditor.

The amount of fee payable to PricewaterhouseCoopers Zhong Tian LLP and other PwC firms for providing audit and audit related services and non-audit services for the year ended 31 December 2016 amounted to RMB11,139,000 and RMB3,745,000. The amount of fee payable to other audit firms for providing audit and audit related services for the year ended 31 December 2016 amounted to RMB3,424,000.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. For the year under review, the Company Secretary has confirmed that he has undertaken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHT

According to the articles of association of the Company, when shareholders individually or together holding 10 per cent. or more of the total number of shares of the Company carrying voting rights (hereinafter refer to as the "Proposing Shareholders") or the Supervisory Committee propose the Board to convene an extraordinary general meeting, an agenda and the complete details of the resolutions shall be submitted in writing to the Board. The Proposing Shareholders or the Supervisory Committee shall ensure that the proposed resolutions conform to laws and regulations and the Company's articles of association.

The Group communicates with its shareholders through different channels, including annual general meetings, extraordinary general meetings; annual and interim reports, notices of general meetings and circulars sent to shareholders by post; investors meetings and announcements on the Company's website and the website of the Stock Exchange.

The Company's website provides shareholders with corporate information, such as principal business activities, major property projects and the latest development of the Group. Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

Corporate Governance Report

SHAREHOLDERS' RIGHT *(Continued)*

The Company regards annual general meeting as an important event in the corporate year and all Directors and senior management should make an effort to attend. The Company's annual general meeting allows the Directors to meet and communicate with the shareholders. The chairman of the annual general meeting proposes separate resolution for each issue to be considered. Members of the Audit, Remuneration and Nomination Committees and the external auditor should attend the annual general meeting to answer questions from shareholders. The 2015 annual general meeting was held on 29 April 2016. During the year, the Company held 9 extraordinary general meetings. The attendance records of the Directors at the general meetings are set out below:

	AGM and EGM attended/held
<i>Non-Executive Director</i>	
Mr. Li Songping (<i>Chairman</i>) (<i>Appointed as Non-executive Director on 26 February 2016 and appointed as chairman on 17 August 2016</i>)	8/8
<i>Executive Directors</i>	
Mr. Tang Jun (<i>President</i>)	10/10
Mr. Wang Hao (<i>Resigned on 6 September 2016</i>)	1/10
Mr. Zhang Shengli (<i>Resigned on 24 May 2016</i>)	0/10
<i>Non-Executive Directors</i>	
Ms. Sun Baojie (<i>Appointed on 24 May 2016</i>)	0/10
Mr. Sun Shaolin (<i>Appointed on 6 September 2016</i>)	0/10
Mr. Su Jian (<i>Appointed on 6 September 2016</i>)	0/10
Mr. Yang Weibin (<i>Appointed on 6 September 2016</i>)	0/10
Mr. Liu Xiaoguang (<i>Resigned on 26 February 2016</i>)	0/10
Mr. Song Fengjing (<i>Resigned on 6 September 2016</i>)	0/10
Mr. Shen Jianping (<i>Resigned on 6 September 2016</i>)	0/10
<i>Independent Non-Executive Directors</i>	
Mr. Wang Hong	1/10
Mr. Li Wang	0/10
Mr. Wong Yik Chung, John (<i>Appointed on 29 April 2016</i>)	0/10
Mr. Ng Yuk Keung (<i>Resigned on 29 April 2016</i>)	1/10

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

Amendment to the Company's Articles of Association fulfilling A-share listing's requirement was duly passed by way of special resolution on the extraordinary general meeting held on 13 May 2016 and such amendment shall come into operation when A-share listed. Details of which is disclosed in the circular dated 27 April 2016. Accordingly, such amendment is temporarily not to implement. A copy of the latest Articles of Association are posted on the websites of the Company and HKEX.

INVESTOR RELATIONS

The Group has always upheld its policy of open communication and fair disclosure. The Group believes that the completeness and timeliness of information disclosure is essential for building market confidence and places much effort in maintaining interactive communications with shareholders and investors and is open-minded to the investment community. As such, the Group has established an Investor Relations Department, which is responsible for maintaining close communications with shareholders and investors.

The Group has issued a monthly newsletter on a continuing basis since March 2009, the newsletter set out the latest project development and sales performance of the Group. The Group strives to maintain high transparency and to keep shareholders and the investment community abreast of its latest development and progress by dissemination of relevant corporate information on a timely basis through various channels including regular distribution of press releases. All this information is also available for downloading from the Group's website at <http://www.bjcapitalland.com>. During the year, the Company also launched official investor relation WeChat channel for investors' subscription, so that investor can receive up-to-date news of the Group in advance.

By timely information disclosure and organizing regular meetings for the management to communicate with media, it facilitates investors' further understanding of the Group's business development while at the same time enables the management to fully realise the opinion and expectation of the investment community of the Group's future development.

In addition to press conference and analysts' meeting held after results announcement, the Group's management held regular meetings with securities analysts and investors, and participated in a number of large-scale investment conferences and presentations. These allow shareholders and investors to have better understanding of the Group's development potential and future prospects, facilitating their comprehension of the Group's investment value.

Looking ahead, the Group will continue to enhance its corporate governance practice based on international trends and development and the views of our shareholders.

On Behalf of the Board

Li Songping

Chairman

Hong Kong, 20 February 2017

Report of the Supervisory Committee

Dear Shareholders,

During the year ended 31 December 2016, the Supervisory Committee of Beijing Capital Land Ltd. (the “Supervisory Committee”), have diligently performed their duties in ensuring that the Company has observed and complied with the Listing Rules, the Company Law of the PRC, the Articles of Association of the Company and other relevant legislations and regulations which protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended the meetings of the Board of Directors and the General Meetings to strictly and effectively monitor the Company’s management in making significant policies and decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of the Company and its shareholders. It also provided reasonable suggestions and opinions to the Board of Directors in respect of the operation and development plans of the Company.

The Supervisory Committee has reviewed and agreed to the report of the directors, audited financial statements and profit appropriation proposal to be proposed by the Board of Directors for presentation at the forthcoming Annual General Meeting. The Supervisory Committee is satisfied that the Directors, and other senior management of the Company are committed to act honestly and to perform their duties diligently, so as to protect the best interests of the Company and its shareholders.

The Supervisory Committee has carefully reviewed the audited financial statements prepared in accordance with Accounting Standards for Business Enterprises and consider that the financial statement reflect a true and fair view of the financial position and results of operations of the Company and they comply with the regulations applicable to the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2016 and has great confidence in the future of the Company.

By order of the Supervisory Committee

Li Zhang

Chairman

Hong Kong, 20 February 2017

To the Shareholders of Beijing Capital Land Ltd.,

OPINION

What we have audited

We have audited the accompanying financial statements of Beijing Capital Land Ltd. (hereinafter “BCL Company”), which comprise the consolidated and company balance sheets as at 31 December 2016, and the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders’ equity for the year then ended, and the notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company’s financial position of BCL Company as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“CASs”).

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of BCL Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Auditor's Report

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is related to valuation of investment properties:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p>Refer to note 2(15), note 2(32)(a)(vi) and note 4(12) to the consolidated financial statements. BCL Company's investment properties measured at fair value amounted to RMB14,397,451,000 as at 31 December 2016 and there was a revaluation gain of RMB1,538,414,000 for the year then ended. The fair value was determined by BCL Company with reference to the valuations performed by an independent professional valuer (the "valuer") engaged by BCL Company.</p> <p>The valuations of investment properties involved significant judgements and estimates, which mainly included the determination of valuation techniques and the selection of different inputs in the models. The valuation techniques usually include income capitalisation approach and residual approach based on the construction status of each property.</p> <p>Considering the above mentioned significance of judgements and estimates and the financial impacts of the valuations, we paid specific attention to this matter in our audit.</p>	<p>We assessed the competence, capabilities and objectivity of the valuer.</p> <p>We communicated with BCL Company's management about the valuation techniques adopted by the valuer, obtained and read the valuation reports for all the properties measured at fair value, and assessed the relevance and reasonableness of valuation techniques used by the valuer.</p> <p>We selected some of the investment properties by sampling and performed the following procedures: We assessed the reasonableness of key inputs which were used to determine the gross development value under residual approach and under income capitalisation approach, including market rental prices and their growth rates, discount rates, etc, by comparing the market rental prices and their growth rates with comparative cases in active markets and the management's records, and by comparing the discount rates with the average discount rates in the industry, etc. We assessed the reasonableness of other key inputs including estimated developers' profit margin rates and development costs to complete, etc. under residual approach, by comparing the estimated developers' profit margin rates with the average developers' profit margin rates in the industry and by comparing the development costs to complete with management's budgets, etc.</p> <p>Through above we obtained supportive evidence for the significant judgements and estimates on the valuation techniques and key inputs used in the valuations of investment properties.</p>

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in 2016 annual report of BCL Company, but does not include the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing BCL Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(Continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BCL Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BCL Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BCL Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA Chen Jing
(Engagement Partner)

Signing CPA Liu Jia

Shanghai, the People's Republic of China

20 February 2017

Consolidated and Company Balance Sheets

As at 31 December 2016 (all amounts in thousands of RMB unless otherwise stated)

Assets	Note	31 December 2016 Consolidated	31 December 2015 Consolidated (restated)	31 December 2016 Company	31 December 2015 Company
Current assets					
Cash at bank and on hand	4(1);16(1)	17,925,747	20,102,982	7,106,099	6,949,828
Financial assets at fair value through profit and loss	4(2)	217,141	228,266	-	-
Notes receivable		-	1,811	-	-
Trade receivables	4(4);16(2)	995,223	676,898	1,910	160
Advances to suppliers	4(6)	372,047	585,740	19,796	32,767
Interests receivable		30,581	19,980	26,235	18,443
Dividends receivable	4(3)	12,000	21,825	-	-
Other receivables	4(5);16(3)	3,436,466	2,511,075	46,525,276	36,815,628
Inventories	4(7)	64,543,029	58,139,119	44,133	44,133
Assets classified as held for sale	4(8)	9,921	9,921	-	-
Current portion of non-current assets	4(14)	3,957,937	593,030	-	-
Other current assets	4(9)	2,839,473	2,180,922	10,701	2,449
Total current assets		94,339,565	85,071,569	53,734,150	43,863,408
Non-current assets					
Available-for-sale financial assets	4(10);16(4)	2,390,462	86,444	70,000	86,444
Long-term receivables	4(14);16(5)	2,798,495	4,663,667	66,706	323,075
Long-term equity investments	4(11);16(6)	3,078,429	4,820,853	4,996,783	3,471,750
Investment properties	4(12)	15,146,259	11,945,033	-	-
Fixed assets	4(13);16(7)	134,443	138,265	54,676	56,706
Goodwill	4(15)	172,137	172,137	-	-
Long-term amortization expenses		100,940	104,580	-	-
Deferred income tax assets	4(16)	655,196	469,401	370,918	158,304
Other non-current assets	4(17)	394,808	-	-	-
Total non-current assets		24,871,169	22,400,380	5,559,083	4,096,279
Total Assets		119,210,734	107,471,949	59,293,233	47,959,687

Consolidated and Company Balance Sheets

As at 31 December 2016 (all amounts in thousands of RMB unless otherwise stated)

Liabilities and equity	Notes	31 December 2016 Consolidated	31 December 2015 Consolidated (restated)	31 December 2016 Company	31 December 2015 Company
Current liabilities					
Short-term borrowings	4(19)	1,909,327	3,005,029	1,670,000	1,111,000
Notes payables		26,223	39,476	–	–
Trade payables	4(20)	7,145,120	6,197,961	13,600	15,951
Advances from customers	4(21)	15,906,410	12,683,338	60,807	60,807
Employee benefits payable	4(22)	119,538	205,338	44,166	127,555
Taxes payable	4(23);16(8)	2,231,937	2,253,347	22,548	2,156
Interests payable	4(24)	547,854	333,418	403,906	174,506
Dividends payable	4(25)	257,272	197,803	73,607	–
Other payables	4(26);16(9)	4,691,612	3,931,106	16,415,765	17,485,747
Current portion of non-current liabilities	4(27)	14,967,002	6,762,707	6,074,182	1,810,000
Total current liabilities		47,802,295	35,609,523	24,778,581	20,787,722
Non-current liabilities					
Long-term borrowings	4(28);16(10)	20,520,263	26,504,682	7,910,000	10,590,000
Debentures payable	4(29)	16,985,512	12,481,249	15,442,006	7,956,770
Long-term payables	4(30)	3,806,675	5,508,075	–	–
Deferred income tax liabilities	4(16)	2,352,530	1,655,234	–	–
Derivative financial liabilities	4(31)	178,724	55,601	–	–
Total non-current liabilities		43,843,704	46,204,841	23,352,006	18,546,770
Total liabilities		91,645,999	81,814,364	48,130,587	39,334,492
Equity					
Share Capital	4(32)	3,027,960	3,027,960	3,027,960	3,027,960
Other equity instruments	16(11)	2,895,291	–	2,895,291	–
Capital reserve	4(33);16(12)	692,777	3,516,644	3,113,441	3,347,206
Other comprehensive income	4(34);16(13)	370,407	537,541	9,407	8,087
Surplus reserve	4(35)	543,169	495,150	543,169	495,150
Retained earnings	4(36)	9,146,801	7,768,550	1,573,378	1,746,792
Total equity attributable to interests of the Company		16,676,405	15,345,845	11,162,646	8,625,195
Non-controlling interests		10,888,330	10,311,740	N/A	N/A
Total equity		27,564,735	25,657,585	11,162,646	8,625,195
Total liabilities and equity		119,210,734	107,471,949	59,293,233	47,959,687

The accompanying notes form an integral part of these financial statements.

Legal representative:

Person in charge of accounting:

Head of accounting department:

Consolidated and Company Income Statements

For the year ended 31 December 2016 (all amounts in thousands of RMB unless otherwise stated)

Items	Note	2016 Consolidated	2015 Consolidated (restated)	2016 Company	2015 Company
Revenue	4(37);16(14)	20,349,404	15,994,770	21,918	45,547
Less: Cost of sales	4(37);16(14)	(16,863,865)	(13,080,165)	-	(1,958)
Taxes and surcharges	4(38)	(1,433,614)	(1,121,664)	(7,678)	(11,931)
Selling and distribution expenses	4(40)	(624,943)	(605,585)	-	-
General and administrative expenses	4(40);16(16)	(458,678)	(503,753)	(108,099)	(184,751)
Financial income/(expenses) — net	4(39);16(15)	58,367	52,015	(1,385,741)	(733,843)
Asset impairment losses	4(43)	(772)	(130,091)	-	-
Add: Gains arising from changes in fair value	4(41)	1,485,125	1,633,982	-	-
Investment income	4(42);16(17)	1,317,639	1,506,744	1,697,752	2,094,799
<i>Including: Share of profit of joint ventures and associates</i>		582,988	182,356	71,000	161,922
Operating profit		3,828,663	3,746,253	218,152	1,207,863
Add: Non-operating income	4(44)	131,098	326,263	6,446	21,251
<i>Including: Gains on disposal of non-current assets</i>		163	285	118	-
Less: Non-operating expenses	4(45)	(6,989)	(63,698)	(881)	(200)
<i>Including: Losses on disposal of non-current assets</i>		(58)	(113)	-	-
Profit before income tax		3,952,772	4,008,818	223,717	1,228,914
Less: Income tax expenses	4(46);16(18)	(1,074,474)	(1,022,018)	209,919	116,305
Profit for the year		2,878,298	2,986,800	433,636	1,345,219
<i>Including: The net profit of acquiree before combination under common control</i>		154,904	107,536	N/A	N/A
Attributable to:					
— Interests of the Company		2,031,862	2,079,382	N/A	N/A
— Non-controlling interests		846,436	907,418	N/A	N/A

Consolidated and Company Income Statements

For the year ended 31 December 2016 (all amounts in thousands of RMB unless otherwise stated)

Items	Note	2016 Consolidated	2015 Consolidated (restated)	2016 Company	2015 Company
Other comprehensive income for the year, net of tax		(167,134)	(43,593)	1,320	2,268
Attributable to interests of the Company		(167,134)	(43,593)	1,320	2,268
Items that may be reclassified to profit or loss		(167,134)	(43,593)	1,320	2,268
Share of other comprehensive income in the investees can be reclassified into profit and loss at equity method		31,984	–	9,407	–
Changes in fair value of available-for-sale financial assets		(8,087)	2,268	(8,087)	2,268
Changes in fair value of investment properties transferred from inventories		4,435	–	–	–
Recycling of changes in fair value of investment properties previously recognized in other comprehensive income		(110,207)	–	–	–
Currency translation differences		9,928	(18,247)	–	–
Effective portion of cash flow hedges		(95,187)	(27,614)	–	–
Total comprehensive income for the year		2,711,164	2,943,207	434,956	1,347,487
Attributable to:					
– Interests of the Company		1,864,728	2,035,789	N/A	N/A
– Non-controlling interests		846,436	907,418	N/A	N/A
Earnings per share for profit attributable to interests of the Company	4(47)				
Basic earnings per share (RMB Yuan)		0.67	0.95	N/A	N/A
Diluted earnings per share (RMB Yuan)		0.67	0.95	N/A	N/A

The accompanying notes form an integral part of these financial statements.

Legal representative:

Person in charge of accounting:

Head of accounting department:

Consolidated and Company Cash Flow Statements

For the year ended 31 December 2016 (all amounts in thousands of RMB unless otherwise stated)

Items	Note	2016 Consolidated	2015 Consolidated (restated)	2016 Company	2015 Company
Cash flow from operating activities					
Cash received from sales of goods and rendering of services		23,253,375	16,916,906	5,462	81,547
Cash received relating to other operating activities	4(48)(a)	1,307,963	930,816	5,199,358	4,801,280
Sub-total of cash inflows		24,561,338	17,847,722	5,204,820	4,882,827
Cash paid for goods and services		(20,029,294)	(22,813,760)	-	(57)
Cash paid to and on behalf of employees		(649,841)	(571,084)	(94,774)	(174,803)
Payments of taxes and surcharges		(2,929,669)	(2,533,706)	(13,744)	(19,468)
Cash paid relating to other operating activities	4(48)(b)	(1,920,337)	(904,584)	(15,411,599)	(16,979,488)
Sub-total of cash outflows		(25,529,141)	(26,823,134)	(15,520,117)	(17,173,816)
Net cash flows from operating activities	4(49); 16(19)	(967,803)	(8,975,412)	(10,315,297)	(12,290,989)
Cash flow from investing activities					
Cash received from disposal of investments		351,000	-	-	-
Cash received from returns on investments		206,737	32,990	21,957	26,140
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,062	24,982	120	24,000
Cash received from disposal of subsidiaries		723,157	771,017	1,247,802	550,550
Net cash received from acquire subsidiaries	5(2)	29,622	-	-	-
Cash received relating to other investing activities	4(48)(c)	2,016,834	862,307	950,666	885,933
Sub-total of cash inflows		3,328,412	1,691,296	2,220,545	1,486,623
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,347,843)	(1,027,124)	(703)	(128)
Cash paid to acquire investments		(442,890)	(497,367)	(2,072,242)	(20,000)
Net cash paid for disposal of subsidiaries	5(3)(b)	(26,965)	(166,256)	-	-
Cash paid relating to other investing activities	4(48)(d)	(3,142,029)	(5,546,956)	(1,284,470)	(1,000,000)
Sub-total of cash out flows		(4,959,727)	(7,237,703)	(3,357,415)	(1,020,128)
Net cash flow from investing activities		(1,631,315)	(5,546,407)	(1,136,870)	466,495

Consolidated and Company Cash Flow Statements

For the year ended 31 December 2016 (all amounts in thousands of RMB unless otherwise stated)

Items	Note	2016 Consolidated	2015 Consolidated (restated)	2016 Company	2015 Company
Cash flows from financing activities					
Cash received from capital contributions		2,304,931	5,517,898	-	3,067,898
<i>Including:</i> Cash received from shareholders' capital injection					
	4(32)	-	3,067,898	-	3,067,898
Cash received from investments of the non-controlling interests	5(4)	1,009,080	170,000	-	-
Cash received from ordinary shares and perpetual convertible securities issued by subsidiaries	6(3)	1,295,851	-	-	-
Cash received from specific capital management plan by subsidiaries		-	2,280,000	-	-
Proceeds from other equity instruments issued by the Company	16(11)	3,000,000	-	3,000,000	-
Cash received from borrowings		9,686,240	28,141,359	2,669,000	8,521,660
Proceeds from bonds issued		9,962,723	9,244,940	9,962,723	9,244,940
Cash received relating to other financing activities	4(48)(e)	3,196,009	7,994,764	996,515	-
Sub-total of cash inflows		28,149,903	50,898,961	16,628,238	20,834,498
Cash repayments of borrowings		(14,978,727)	(19,089,975)	(3,020,000)	(3,312,600)
Cash payments for interest expenses and distribution of dividends or profits		(4,314,747)	(5,461,610)	(1,947,619)	(1,302,173)
Cash paid for repayments of specific capital management plan issued by subsidiaries	6(1)(b)	(1,730,000)	(3,510,000)	-	-
Cash paid for business combination involving enterprises under common control	5(1)	(3,716,944)	-	-	-
Cash paid relating to other financing activities	4(48)(f)	(2,508,980)	(1,799,964)	(45,450)	(456,000)
Sub-total of cash outflows		(27,249,398)	(29,861,549)	(5,013,069)	(5,070,773)
Net cash flows from financing activities		900,505	21,037,412	11,615,169	15,763,725
Effect of foreign exchange rate changes on cash					
		52,926	32,294	(6,731)	(1,542)
Net (decrease)/increase in cash	4(49)(a); 16(19)(a)	(1,645,687)	6,547,887	156,271	3,937,689
<i>Add:</i> Cash at beginning of year		18,204,114	11,656,227	6,449,828	2,512,139
Cash at end of year	4(49)(c); 16(19)(b)	16,558,427	18,204,114	6,606,099	6,449,828

The accompanying notes form an integral part of these financial statements.

Legal representative:

Person in charge of accounting:

Head of accounting department:

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016 (all amounts in thousands of RMB unless otherwise stated)

Items	Note	Attributable to interests of the Company						Non-controlling interests	Total equity
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings		
Balance at 31 December 2014		2,027,960	-	706,109	581,134	360,628	5,444,301	12,293,394	21,413,526
Business combination under common control		-	-	480,988	-	-	886,379	-	1,367,367
Balance at 1 January 2015 (restated)		2,027,960	-	1,187,097	581,134	360,628	6,330,680	12,293,394	22,780,893
Movement for the year end 31 December 2015 (restated)		1,000,000	-	2,329,547	(43,593)	134,522	1,437,870	(1,981,654)	2,876,692
Comprehensive income for the year									
Profit for the year		-	-	-	-	-	2,079,382	907,418	2,986,800
Other comprehensive income	4(34)	-	-	-	(43,593)	-	-	-	(43,593)
Total comprehensive income		-	-	-	(43,593)	-	2,079,382	907,418	2,943,207
Capital contribution and withdrawal by interests									
Capital contribution from interests		1,000,000	-	2,067,898	-	-	-	-	3,067,898
Equity transaction with non-controlling interests		-	-	(290,351)	-	-	-	(4,374,585)	(4,664,936)
Investment from specific capital management plan by subsidiaries		-	-	-	-	-	-	2,039,100	2,039,100
Business combinations under common control		-	-	552,000	-	-	-	-	552,000
Profit distribution									
Appropriations		-	-	-	-	134,522	(134,522)	-	-
Profit distribution to interests	4(36)	-	-	-	-	-	(506,990)	(553,587)	(1,060,577)
Balance at 31 December 2015 (restated)		3,027,960	-	3,516,644	537,541	495,150	7,768,550	10,311,740	25,657,585
Balance at 1 January 2016 (restated)		3,027,960	-	3,516,644	537,541	495,150	7,768,550	10,311,740	25,657,585
Movement for the year end 31 December 2016		-	2,895,291	(2,823,867)	(167,134)	48,019	1,378,251	576,590	1,907,150
Comprehensive income for the year									
Profit for the year		-	-	-	-	-	2,031,862	846,436	2,878,298
Other comprehensive income	4(34)	-	-	-	(167,134)	-	-	-	(167,134)
Total comprehensive income		-	-	-	(167,134)	-	2,031,862	846,436	2,711,164
Capital contribution and withdrawal by interests									
Capital contribution from interests		-	-	-	-	-	-	1,368,199	1,368,199
Capital contribution from other equity instruments	16(11)	-	2,895,291	-	-	-	-	-	2,895,291
Perpetual convertible securities issued by subsidiary		-	-	-	-	-	-	945,197	945,197
Equity transaction with non-controlling interests		-	-	(344,037)	-	-	-	(2,068,115)	(2,412,152)
Business combinations under common control		-	-	(2,479,830)	-	-	-	-	(2,479,830)
Profit distribution									
Appropriations	4(35)	-	-	-	-	43,363	(43,363)	-	-
Profit distribution to interests	4(36)	-	-	-	-	-	(605,592)	(515,127)	(1,120,719)
Others	4(35)	-	-	-	-	4,656	(4,656)	-	-
Balance at 31 December 2016		3,027,960	2,895,291	692,777	370,407	543,169	9,146,801	10,888,330	27,564,735

The accompanying notes form an integral part of these financial statements.

Legal representative:

Person in charge of accounting:

Head of accounting department:

Company Statement of Changes in Equity

For the year ended 31 December 2016 (all amounts in thousands of RMB unless otherwise stated)

Items	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
Balance at 1 January 2015		2,027,960	-	1,279,308	5,819	360,628	1,043,085	4,716,800
Movement for the year end								
31 December 2015		1,000,000	-	2,067,898	2,268	134,522	703,707	3,908,395
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	1,345,219	1,345,219
Other comprehensive income		-	-	-	2,268	-	-	2,268
Total comprehensive income		-	-	-	2,268	-	1,345,219	1,347,487
Capital contribution and withdrawal by interests								
Capital contribution from interests		1,000,000	-	2,067,898	-	-	-	3,067,898
Profit distribution								
Appropriations		-	-	-	-	134,522	(134,522)	-
Profit distribution to interests	4(36)	-	-	-	-	-	(506,990)	(506,990)
Balance at 31 December 2015		3,027,960	-	3,347,206	8,087	495,150	1,746,792	8,625,195
Balance at 1 January 2016		3,027,960	-	3,347,206	8,087	495,150	1,746,792	8,625,195
Movement for the year end								
31 December 2016		-	2,895,291	(233,765)	1,320	48,019	(173,414)	2,537,451
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	433,636	433,636
Other comprehensive income		-	-	-	1,320	-	-	1,320
Total comprehensive income		-	-	-	1,320	-	433,636	434,956
Capital contribution and withdrawal by interests								
Capital from other equity instruments interests	16(11)	-	2,895,291	-	-	-	-	2,895,291
Business combinations under common control		-	-	(233,765)	-	-	-	(233,765)
Profit distribution								
Appropriations		-	-	-	-	43,363	(43,363)	-
Profit distribution to interests	4(36)	-	-	-	-	-	(605,592)	(605,592)
Others		-	-	-	-	4,656	41,905	46,561
Balance at 31 December 2016		3,027,960	2,895,291	3,113,441	9,407	543,169	1,573,378	11,162,646

The accompanying notes form an integral part of these financial statements.

Legal representative:

Person in charge of accounting:

Head of accounting department:

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION

Beijing Capital Land Ltd.(hereinafter “the Company”) was established by seven companies (hereinafter “the promoters”) on 23 July 2002, namely Beijing Capital Group Ltd. (hereinafter “Capital Group”), Beijing Sunshine Real Estate Comprehensive Development Company (hereinafter “Sunshine Comprehensive”), Beijing Capital Sunshine Real Estate Development Co., Ltd. (hereinafter “Capital Sunshine”), Beijing Capital Technology Investment Co., Ltd. (hereinafter “Capital Technology”), Beijing Capital Hangyu Economic Development Co., Ltd. (renamed Beijing Capital Development Co. Ltd. as at 28 April 2007, hereinafter “Capital Development”. As at 4 December 2013, Capital Development renamed “Beijing Capital Investment & Development Co., Ltd.” hereinafter “Beijing Capital Investment”), China Resource Products Limited (hereinafter “China Resource”) and Yieldwell International Enterprise Limited (hereinafter “Yieldwell International”). The Company’s place of registry is the People’s Republic of China and is headquartered in Beijing, China.

The Company’s parent company and the ultimate controlling party is Capital Group, a state-owned enterprise established in Beijing.

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited in June 2003. And as at 31 December 2016, the total share of the Company is RMB3,027,960,000 with RMB1 per share.

The Company and its subsidiaries (hereinafter “the Group”) are principally engaged in the real estate development and investment, commercial real estate operation and property consulting services.

The subsidiaries newly consolidated in the Group this year are mainly as follows, as disclosed in note 5(1), (2), (4).

Company name	Hereinafter as
Xian Shouju Commercial Development Management Co., Ltd.	Xian Shouju
Beijing Youda Real Estate Co., Ltd.	Youda Real Estate
Zhengzhou Juxin Outlets Industry Co. Ltd	Zhengzhou Juxin
Juyuan Xincheng (Tianjin) Investment Management Co. Ltd.	Juyuanxincheng Investment
Juyuan Xincheng (Tianjin) Trading Co., Ltd.	Juyuanxincheng Trading
Beijing Yongyuanxing Real Estate Co., Ltd.	Yongyuanxing
Shanghai Yujing Real Estate Co., Ltd.	Shanghai Yujing
Shanghai Xuanxi Real Estate Co., Ltd.	Shanghai Xuanxi
Beijing Liujin Real Estate Co., Ltd.(i)	Liujin Real Estate
Beijing Donghuan Xinrong Investment and Management Co., Ltd.(i)	Donghuan Xinrong
Zhuhai Hengqin Capital Eco Village Equity Investment Fund (limited partnership)	Zhuhai Hengqin Eco Village Fund
Chongqing Shouyong Real Estate Co., Ltd.	Shouyong Real Estate
Shanghai Shoujing Investment Co., Ltd.	Shanghai Shoujing
Jinan Shouju Real Estate Co., Ltd.	Jinan Shouju
Hefei Chuangju Outlets Commercial Management Co., Ltd.	Hefei Chuangju

The companies de-consolidated in the Group this year are mainly as follows, as disclosed in note 5(3), (4).

Company name	Hereinafter as
Beijing Shangbodi Investment Consultant Co., Ltd	Shangbodi
Nanchang Shouxin Chuangsheng Real Estate Co., Ltd.	Nanchang Shouxin
Beijing Xinyuan Chengye Consulting Co., Ltd.	Xinyuan Chengye

- (i) The Group completed the transactions of acquiring equity interests of Liujin Real Estate and Donghuan Xinrong in September and December 2016 separately. As the Group and the acquiree are under common control of Capital Group, such transactions were treated as business combination involving enterprises under common control. The financial information for the year ended 31 December 2015 is restated accordingly(note 5(1)).

These consolidated financial statements were approved by the Board of Directors on 20 February 2017.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determined specific accounting policies and accounting estimates based on its business operation characteristics, such as provision for doubtful debts of receivables (note 2(11)), measurement of inventories (note 2(12)), measurement model of investment properties (note 2(15)), and the criteria of revenue recognition (note 2(24)), etc.,.

The key judgments used by the Group determining the significant accounting policies are disclosed in note 2(32).

(1) Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereinafter collectively referred to as the “Accounting Standards for Business Enterprises” or “CAS”).

The financial statements were prepared on basis of going concern.

The new Hong Kong Company Ordinance came into force in 2015, certain disclosures in this financial statements have been adjusted accordingly.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2016 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company’s financial position as at 31 December 2016 and of their financial performance, cash flows and other information for the year ended 31 December 2016.

(3) Accounting year

The accounting year starts on 1 January and ends on 31 December.

(4) Functional currency

The functional currency of the Company and most of its subsidiaries is Renminbi (“RMB”), while the functional currency of certain subsidiaries of the Group incorporated in France and Australia are local currency.

(5) Business combinations

(a) Business combinations under common control

The consideration paid and net assets obtained by the acquirer in a business combination are measured at the carrying amount. The differences between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is recognized in the capital reserve (share premium). If the capital reserve (share premium) is not sufficient to absorb the difference, the remaining balance is recognized in retained earnings. Costs directly attributable to the combination shall be recognized in profit or loss for the year when occurred. Transaction costs in the issue of equity securities and debt securities attributable to the combination shall be recognized in initial amount of equity securities and debt securities.

(b) Business combinations other than common control

The consideration paid and identifiable net assets obtained by the acquirer in a business combination are measured at fair value on the acquisition date. Where the cost of the combination exceeds the acquirer’s interest in the fair value of the acquirer’s identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer’s interest in the fair value of the acquirer’s identifiable net assets, the difference is recognized in profit or loss for the current period.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(5) Business combinations *(Continued)*

(b) Business combinations other than common control *(Continued)*

For a business combination other than common control achieved in stages, in the separate financial statements, the initial cost shall be the summation of the book value of the previously held interest before the acquisition date and the additional investment cost on the acquisition date. In the consolidated financial statements, the previously held equity interest in the acquiree is remeasured at fair value on the acquisition date, and the difference between the fair value and book value is recognized as investment income for the current period. If other comprehensive income was recognized regarding the equity interests previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income for the year acquisition occurs. Difference between the sum of the fair value of consideration along with the fair value of equity interests of the acquiree held previously, and the fair value of the identifiable net assets acquired on the acquisition date is recognized as goodwill.

Costs directly attributable to the combination shall be recognized in profit or loss for the year when occurred. Transaction costs in the issue of equity securities and debt securities attributable to the combination shall be recognized in initial amount of equity securities and debt securities.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realized before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises other than common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets on the acquisition date.

All significant inter-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity, the portion of a subsidiary's net profits and losses and comprehensive income for the year not attributable to the Company are recognized as non-controlling interests and income attributed to non-controlling interests as presented separately in the consolidated financial statements within equity, net profits and comprehensive income respectively. Unrealized inter profit or loss in transactions where the Company sells assets to its subsidiaries are fully eliminated to the net profits attributable to interests of the Company. Unrealized inter profit or loss in transactions where a subsidiary sells assets to the Company are eliminated between the net profits attributable to interests of the Company and the profit or loss of the non-controlling interest in proportion to the Company's allocation to the subsidiary. Unrealized inter profit or loss in transactions between subsidiaries selling assets are eliminated between the net profits attributable to interests of the Company and the profit or loss of non-controlling interest in proportion to the Company's allocation to the selling side.

A transaction will be adjusted from the perspective of the Group in condition that assertions are different when accounting entities are the Group and the Company or its subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Cash

Cash comprise cash on hand and deposits that can be readily drawn on demand.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the spot exchange rates at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Nonmonetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the interests' equity items, the items other than "retained earnings" are translated at the spot exchange rates on the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates or the approximate rate of it on the transaction dates. The differences arising from the above translation are presented separately in the interests' equity, as other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

(a) Financial assets

(i) *Classification of financial assets*

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(i) Classification of financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including trade and other receivables, etc..

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months of the balance sheet date.

(ii) Recognition and measurement

Financial assets are recognized at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. For financial assets at fair value through profit and loss, the relevant transaction costs are recognized in profit or loss for the current period. Transaction costs that are attributable to the acquisition of other financial assets are included in their initial recognition amounts.

Fair values are used to determine the subsequent measurements of available-for-sale financial assets and financial assets at fair value through profit or loss. However, for equity investments that neither have quoted price available in an active market nor fair values can be reliably measured, cost method should be used in measuring. Receivables are measured at amortized cost using the effective interest method.

Changes in fair value of financial assets measured at fair value through profit or loss are recognized as fair value gain or loss into profit or loss for the current period; Interests or cash dividends gained during the holding period of assets, and disposal gain or loss are recognized into profit or loss for the current period.

Gain or loss arising from changes in fair value of available-for-sale financial assets is recognized directly in equity, except for impairment losses and exchange gain or loss arising from translation of foreign monetary financial assets. When such financial assets are derecognized, the cumulative gain or loss previously recognized directly into equity is recycled into profit or loss for the current period.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(iii) *Impairment of financial assets*

Except for financial assets at fair value through profit or loss, the Group assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence indicating that a financial asset is impaired, the Group shall make a provision for impairment.

Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets, it will affect estimated future cash flows of financial assets, and its impact can be reliably measured by the Group.

Objective evidence of impairment on available-for-sale equity instruments includes the significant or prolonged decline of the fair value of those equity instruments. The Group assesses the carrying amounts of available-for-sale equity instruments individually at each balance sheet date. If the fair value of the equity instrument declines for more than 50% (included) compared with the initial investment cost or the decline lasts for more than one year (included), the impairment occurs; if the fair value of the equity instrument declines for more than 20% (included) but not beyond 50%, the Group will take other relevant factors, such as price fluctuations into consideration to judge whether the impairment occurs. The Group applies weighted-average method to estimate the initial investment of the available-for-sale equity instrument investment.

When an impairment loss on a financial asset carried at amortized cost has occurred, the amount of loss is measured at the difference between the assets' carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial assets recovered and the recovery is related objectively to the event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and such amount is recognized in profit or loss.

In the case of a significant or prolonged decline in the fair value of available-for-sale financial assets, the cumulative loss arising from the decline in fair value that had been recognized directly in equity is removed from equity and recognized in impairment loss. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognized, the increase in its fair value in the subsequent period is recognized in equity directly.

In the case of decline in the cost model of an available-for-sale financial assets, the difference between its book value and the present value of the cash flow from the similar financial asset under present market yields shall be recognized in profit or loss. Accrued impairment will not be reversed in the future period.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(iv) Derecognition of financial assets

A financial asset is derecognized when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of interestship of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of interestship of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received along with the cumulative changes in fair value that had been recognized directly in equity, is recognized in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities are mainly derivative financial liabilities and other financial liabilities, including payables, borrowings and debentures payable.

Forward foreign exchange contract measured by hedge accounting is accounted as derivative financial liabilities. Other forward foreign exchange contracts are measured at fair value and the changes in fair value are recognized in profit or loss.

Payables include trade and other payables etc. which are initially recognized at fair value and recorded at amortized cost using effective interest rate in subsequent measurement.

Borrowings and debentures payable are initially recognized at fair value less trading expenses and recorded at amortized cost using effective interest rate in subsequent measurement.

Financial liabilities with repayment period within 1 year (including 1 year) or in an ordinary operation cycle are stated as current liabilities; other financial liabilities with repayment period over 1 year but repayment date within 1 (including 1 year) year from balance sheet date are stated as current portion of non-current liabilities; others are stated as non-current liabilities.

A financial liability is derecognized or partly derecognized when the current obligation is discharged or has been partly discharged. The difference between the carrying amount of the derecognized part of the financial liabilities and the consideration paid is recognized in profit or loss.

(c) Determination of fair value of financial instrument

The fair value of a financial instrument that is traded in an active market is determined by the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Group uses the valuation technique when it is applicable under current conditions and there are enough available data and other information to support and the technique should maximize the use of relevant observable. Unobservable inputs are used under the circumstance that the relevant observable inputs cannot be obtained or not feasible. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(d) Offsetting of financial assets and liabilities

Financial assets and liabilities should be presented separately in balance sheet without offsetting. A financial asset and a financial liability should be offset when, and only when, both of the following conditions are satisfied: (i) The Group currently has a legally enforceable right to set off the recognized amounts and the legal enforceable right is now executable; (ii) The Group intends either to settle on a net basis, or to liquidate the financial asset and settle the financial liability simultaneously.

(10) Hedging activities

The Group sets forward foreign exchange contract as hedging instrument to avoid foreign exchange risks. Changes in cash flow of the hedging instrument are expected to offset the changes in cash flow of hedged items. The Group accounts the hedging by using cash flow hedge.

Fair value of the hedging derivatives would be classified as a non-current asset or liability when the residual maturity of the hedged item is longer than 12 months.

The Group continuously records its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items (whether the offset results are between 80% and 125%). The Group adopts ratio analysis to assess subsequent effectiveness of cash flow hedge.

Gain or loss on the cash flow hedging instrument relating to the effective portion is recognized in other comprehensive income and presented separately. Amount of the effective portion is the lower of the absolute value of the two items below:

- (i) Accumulated gain or loss on the hedging instrument from hedging date;
- (ii) Accumulated changes in present value of expected future cash flow of hedged transactions from hedging date.

Gain or loss relating to the ineffective portion, that is gain or loss deducting the portion recognized in other comprehensive income, is recognized in profit or loss for the current period.

When the hedged item impact the profit and loss, the gain or loss on the hedging instrument recognized in other comprehensive income is transferred out and recognized in profit or loss. However, when a hedged prospective transaction results in the recognition of a non-financial asset, the gain or loss previously recognized in equity is transferred out from equity and included in the cost of the non-financial asset at the initial recognition.

When a hedging instrument expires or is sold, the hedging contract terminated, or a hedge no longer meets the criteria for hedge accounting, the Group no longer applies hedging account. Any cumulative gain or loss recognized in equity previously when hedging is effective will be transferred out and recognized in profit or loss till the prospective transaction ultimately occurs. When a prospective transaction is no longer expected to occur, the cumulative gain or loss recognized in equity previously when hedging is effective is transferred out and recognized in profit or loss immediately.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(11) Receivables

Receivables comprise trade and other receivables. Trade receivables arising from sale of goods or rendering of services are initially recognized at fair value of the contractual payments from the buyers or service recipients.

(a) Receivables that are individually significant and subject to separate assessment for provision for bad debts

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is recognized at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows.

The criterion for determining “individually significant” is as follows: trade receivables are all individually significant, for other receivables, any individual amount exceeds RMB 30,000,000.

The method of providing for bad debts for those individually significant amounts is as follows: the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

(b) Receivables that are subject to provision for bad debts on the grouping basis

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for grouping is as follows:

Group of related parties	Amounts due from related parties
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Methods of determining provision for bad debts by grouping are as follows:

Group of related parties	No provision for bad debts recognized according to low credit risk upon assessment, based on the principal activities and the history transactions
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Receivables due from third parties are subject to separate assessment for provision, as there is no similar credit characteristics among them.

(c) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts

The reason for making separate assessment for provision for bad debts is that there exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(12) Inventories

(a) Classification

Inventories include properties under development, properties held for sale, merchandise inventories and low-cost consumables, which are measured at the lower of cost and net realizable value.

(b) Measurement of inventories

Inventories are initially recognized at the actual costs. The costs of properties under development and properties held for sale comprise land cost, construction cost, capitalized borrowing costs, and other direct and indirect fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale at the actual costs. For land use rights that are developed for subsequent sales, the cost paid for land use rights are classified and accounted for as part of the costs of properties.

Public ancillary facilities comprise government-approved public ancillary projects, i.e. roads etc. The relevant costs are recognized in the properties under development, and are recorded by each cost items, the cost paid for land use rights are classified and accounted for as part of properties under development.

Construction contract is disclosed at the aggregate amount of costs incurred and aggregate gross profit/(loss) recognized, less the settlement amount. The excess of the aggregate amount of costs incurred and aggregate gross profit/(loss) recognized over the settlement amount is recognized as "Work in progress" under inventories; while, it is recognized as "Advances for contract work" under advances from customers when aggregate amount of costs incurred and aggregate gross profit/(loss) recognized is less than the settlement amount.

Merchandise inventories are finished goods purchased from external parties for sale, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods is purchase costs agreed in purchasing contracts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(c) Measurement of net realizable value and provisions for inventories impairment

Provisions are determined at the excess amount of the carrying value of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated selling expenses and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Low-cost consumables are amortized using the one-off amortization method.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(13) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are joint arrangements of which the net asset is attribute to the Group based on the legal forms, terms of contract and other facts and the investees over which the Group is able to exercise joint control together with other ventures. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method.

(a) Measurement of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through business combination involving enterprises under common control, the investment cost shall be the acquirer's share of the carrying amount of interests' equity of the acquiree on the combination date; for long-term equity investment acquired through a business combination involving enterprises other than common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity instruments, the initial investment cost shall be the fair value of the equity instruments issued.

(b) Subsequent measurement and recognition of investment income and loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognized as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets on the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets on the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(13) Long-term equity investments *(Continued)*

(b) Subsequent measurement and recognition of investment income and loss *(Continued)*

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income or losses according to its share of net profit or loss of the investee. The Group discontinues recognizing its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognizing the investment losses and the losses are recognized as estimate debts. For changes in interests' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Group adjusts the carrying amount of long-term equity investments and records its proportionate share directly into capital reserve. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investee. The unrealized profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognized. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealized loss is not eliminated.

(c) Definitions of control, joint control and significant influence

Control is the power over the investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee companies, and has the ability to affect those returns through its power over the investee companies.

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 Group and the other parties sharing control.

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.

(d) Impairment of long-term equity investment

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2 (19)).

(14) Joint operations

Joint operations are operations with a contractual arrangement, whereby the Group and other parties jointly enjoy related assets and are responsible to related liabilities. Under joint operations, the assets and liabilities which belong to joint operations and are related to profit shares should be recognized separately or shared by proportion; Revenues were recognized from selling the Group's share in joint operations or selling products of joint operations; expenses were recognized separately or shared by proportion in the joint operations.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(15) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their cost can be reliably measured; otherwise, the expenditures are recognized in profit or loss in the year in which they are incurred.

The Group adopts the fair value model for subsequent measurement of investment properties. Investment properties are measured at fair value model when the following conditions are met:

- (a) There is an active property market where the investment property locates.
- (b) The Group can obtain the market price or the relevant information regarding the same type of or similar property market, so as to reasonably estimate the fair value of the investment property.

Depreciation or amortization will no longer be provided for investment properties measured at fair value. Investment properties will be valued as at the balance sheet date and its carrying amount will be adjusted accordingly. The difference between the fair value and the carrying amount is recognized in profit and loss for the current period.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by the Group), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

When objective evidence indicates that the purpose of the real estate has changed and the Group converts investment property to owner-occupied property or real estate inventory, the property's carrying amount is stated at the fair value on the conversion date. The difference between the fair value and the original carrying amount is recognized in profit or loss for the current period. When any owner-occupied property or real estate inventory is converted to investment properties to be measured through the fair value model, the fair value on the conversion date is recognized as the carrying amount of the investment property. When the fair value on the conversion date is less than its carrying amount, the difference will be charged to profit or loss for the current period. When the fair value on the conversion date is more than its carrying amount, the difference will be charged to other comprehensive income.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, scrapping or damage of an investment property subtract its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(16) Fixed assets

(a) Recognition and initial measurement

Fixed assets comprise buildings, motor vehicles, and office equipment.

Fixed assets are recognized when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the year in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated rate of residual value and the annual depreciation rate are as follows:

	Estimated useful lives	Estimated rate of residual value	Annual depreciation rate
Buildings	10-40 years	0% to 10%	2.3% to 10.0%
Motor vehicles	5-10 years	0% to 10%	9.0% to 20.0%
Office equipment	3-10 years	0% to 10%	9.0% to 33.3%

The estimated useful lives, the estimated residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least each year end.

(c) When recoverable amount of fixed asset is lower than its carrying amount, the carrying amount should be written down to the recoverable amount (Note 2(19)).

(d) Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, scrapping or damage of a fixed asset subtract its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(17) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of investment properties or real estate projects that need a substantially long period of time for its intended use or sale commence to be capitalized and recognized as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use or sale have commenced. The capitalization of borrowing costs ceases, when the investment properties under acquisition or construction becomes ready for its intended use or sale, the properties under development become ready for sale (generally after Completion Certification granted), the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of the asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For borrowings that specified for acquisition and construction of investment properties and real estate projects and qualified for capitalization, the capitalization amount is measured as current actual interests of the specified borrowings subtract interest revenue earned from unused borrowings deposited at bank or investment income earned from temporary investment activities with unused borrowings.

For general borrowings that occupied by the acquisition and for construction of investment properties and real estate projects qualified for capitalization, the capitalization amount should be the weighted average exceeds of accumulated capital expenditures for capitalization over the amount of specialized borrowings multiplied by the weighted average effective interest rate. The effective interest rate is the rate used to discount the estimated future or the applicable shorter period cash flows of the borrowings to the initial measurement of the borrowings.

(18) Long-term prepaid expenses

Long-term prepaid expenses include expenditures that have been incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure subtract accumulated amortization.

(19) Impairment of long-term assets

Fixed assets, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(20) Employee benefits

Employee benefits are all forms of considerations given in exchange for services rendered by employees or compensation paid in order to terminate the employment relationship. Employee benefits mainly include short-term employee benefits, demission benefits, termination benefits and other long-term employee benefits, etc.

(a) Short-term employee benefits

Short-term employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds, short-term compensated absences and profit sharing plan. When an employee has rendered service to the Group during an accounting period, the Group shall recognize short-term employee benefits as liabilities and charge to the cost of an asset or as an expense at the same time. Non-monetary benefits are measured in accordance with fair value.

(b) Demission benefits

Demission benefits are classified as defined contribution plan and defined benefit plans. Defined contribution is demission benefits plan in which the Group is not obliged to make further payment after paying a certain amount to individual funds. Defined benefit plans is other demission benefits plan except for defined contribution plan. During the period, demission benefits mainly include basic social pension security and unemployed insurance, both of which are defined contribution plan.

Basic social pension security

Employees of the Group participate in the basic social pension plan set up and administered by the government authorities. Basic pensions are provided monthly according to stipulated proportions and basis, which are paid to local labor and social security institutions. After retirement of employees, local labor and social security institutions will pay related pensions to employees accordingly. When an employee has rendered service to the Group during an accounting period, the Group shall compute and recognize liabilities according to the above stipulation and charge to the cost of an asset or as an expense at the same time.

The Group provides a pension scheme, which is established under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (“MPF Scheme”), for all employees in Hong Kong. The statutory contribution requirements to the MPF Scheme are minimum 5% of eligible employees’ relevant aggregate income and maximum of HKD1,500 monthly. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

Supplementary pension security plan

Qualified employees of the Group can voluntarily join the supplementary pension security plan. Supplementary pensions are provided monthly based on employees’ social security basis published in April and proportions of 5% from the Group and 5% from employee, which are paid to trustee. After retirement of employees, trustee will pay related pensions to employees accordingly. When an employee has rendered service to the Group during an accounting period, the Group shall compute and recognize liabilities according to the above stipulation and charge to the cost of an asset or as an expense at the same time.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(20) Employee benefits *(Continued)*

(c) Termination benefits

Termination benefits are payables when employment is terminated by the Group before the employment contract expire, or compensation provided as an offer to encourage employees to accept voluntary redundancy. The Group recognizes termination benefits as liabilities and charges to profit or losses at the earlier of the following dates: when the Group can no longer withdraw the offer of termination plan; and when the Group recognizes costs for restructuring which involving the payment of termination benefits.

Termination benefits is disclosed as current liabilities if it is planed to be paid within one year after the balance sheet date.

(21) Equity instruments

Financial instruments issued by the Group are classified as equity instruments when both of the following conditions are satisfied:

- (a) The financial instruments have no contractual obligation to pay in cash or other financial assets to other parties nor to exchange financial assets or liabilities under potential adverse condition with other parties;
- (b) The financial instruments should and can be settled via equity instruments of the Group. For non-derivative instruments, the instruments have no contractual obligation to be settled by delivering fixed number of equity instruments of the Group. For derivative instruments, they can only be settled through the exchange of fixed number of the Group's equity instruments with fixed amount of cash or other financial assets.

Equity instruments issued by the Company except for ordinary shares are presented as other equity instruments on the balance sheet. The amounts issued by the subsidiaries and classified as equity instruments in the consolidated financial statements of the Group are presented as non-controlling interests.

(22) Distribution of dividends

The amount of dividends is recognized as liability in the current period in which it is approved by general meeting of shareholders.

(23) Contingent liabilities

Provisions for product warranties, pending litigations etc. are recognized when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

The carrying amount of contingent liabilities is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

A contingent liability is disclosed as current liabilities if it is planned to be paid within one year after the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(24) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable from the sales of goods and the rendering of services in the ordinary course of the Group's business activities. Revenue is shown net off rebates, discounts and returns.

Revenue is recognized when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's business activities as described below:

(a) Sales of goods

- (i) Revenue of sales of development properties is recognized when all the following conditions have been satisfied:
 - properties are completed and accepted or regarded as accepting after check;
 - a legally binding sales contract has been signed;
 - all the significant risks and rewards of interestship of the development properties have been transferred to the buyer;
 - the Company does not retain the management rights, which is normally associated with owner, on the development properties sold and has no control over the development properties sold. The Company does not meet the other criteria required when recognizing revenue mentioned above.
- (ii) Retail income, the Group sells products to individual customers through its retail outlets. Sales of goods are recognized in the accounting period in which the Group sells a product to the customer, with all the significant risks and rewards of interestship of the product been transferred to the buyer and related costs been reliably measured. Retail sales are usually settled in cash or by credit card.

(b) Revenue from construction contract

In the situation that result of the construction contract can be reliably measured, contract revenue and cost are measured by using the completion percentage method on the balance sheet date. The progress of completion is determined by the percentage of total actual contract cost incurred to the total expected contract cost.

In the situation that result of the construction contract can not be reliably measured, contract revenue is measured at the amount of contract cost, which is able to be compensated, and contract cost is recognized in the profit or loss for the period. However, if the contract cost is unable to be compensated, it shall be recognized immediately as expense in profit or loss, with no recognition of contract revenue. In the situation that the uncertainty factors, which may lead to the result of the construction contract, can not be reliably measured no longer exist, the related contract revenue and cost are measured by using the completion percentage method.

The expected loss which is resulted from the excess of total expected contract costs over the total expected contract revenue, is recognized as expense for the period.

(c) Rendering of services

The Group provides service to external parties. The related revenue is recognized using the percentage of completion method, with the stage of completion being determined based on proportion of costs incurred to date to the estimated total costs.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(25) Government grants

Government grants are the gratuitous monetary assets or non-monetary assets that the Group receives from the government, including tax returns and financial subsidies.

Government grants are recognized when there is reasonable assurance that the grants will be received and the Group is able to comply with the conditions attaching to them. Monetary assets of the government grants are measured as the amount received or receivable. Non-monetary assets of the government grants are measured as fair value or notional value if the fair value cannot be obtained reliably.

A government grant related to an asset is the government grants acquired by the Group that specified for acquisition and construction or in other ways to form long-term assets. For government grants related to income are government grants other than government grants related to assets.

Government grants related to assets are recognized as deferred revenue and will be amortized on a straight-line basis in profit or loss over the useful life of the related assets. Government grants recognized at notional value are directly recognized in the income statement.

Government grants related to income which are used to compensate expenses or losses in subsequent periods, are recognized as deferred revenue and realized in profit or loss for the year such expenses or losses occurred; the ones which are to compensate expenses or losses occurred in previous periods are directly recognized in the income statement.

(26) Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred income tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available to offset the deductible temporary differences, deductible losses, and deductible tax amounts.

Deferred income tax liabilities are recognized for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not be reversed in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future to offset the deductible temporary differences, the corresponding deferred income tax assets are recognized.

Deferred income tax assets and liabilities are offset if all the following conditions are met:

- they related to income taxes levied by the same tax authority; and
- that tax payer within the Group has a legally enforceable right to offset current tax assets and current tax liabilities.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(27) Leases

A finance lease is a lease that substantially transfers all the risks and rewards incidental to interestship of an asset. An operating lease is a lease other than a finance lease.

The Group does not have finance leases. Lease payments under an operating lease are recognized in the asset cost or in profit or loss on a straight-line basis over the year of the lease.

Income from an operating lease is recognized on a straight-line basis over the year of the lease.

(28) Maintenance and quality guarantee funds

Maintenance fund is collected from property buyers according to related regulations on behalf of housing administration bureau, by certain percentage of selling price of property, the fund will be delivered to housing administration bureau upon registration of property interestship. Maintenance fund is recognized in other payables when received and is for the repair and update for the common parts and equipment and public facilities of the real estate specially.

Quality guarantee fund is reserved by certain percentage of the project payment and when the properties are completed it will be repaid to constructor, in condition that there's no quality issue in agreed warranty period.

(29) Held for sale and discontinued operations

A non-current asset or a component of the group satisfying the following conditions is classified as held for sale: (1) the non-current asset or the component in current conditions can be sold immediately according to usual trading terms; (2) the Group has made a resolution and has been approved for disposal of the non-current asset or the component; (3) an irrevocable contract with the transferee has been signed and; (4) the transfer will be completed within one year.

Non-current assets (except for financial assets and deferred income tax assets), which meet the recognition criteria for held for sale are measured at the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognized as an asset impairment loss.

Non-current assets classified as held for sale, the assets and liabilities in the disposal groups are classified as current assets and current liabilities and should be listed on the balance sheet separately.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished from other components within the Group in business operation and in preparation of financial statements: (i) the component represents a separate major line of business or geographical area of operations; (ii) is part of a single coordinated plan to disposal of a separate major line of business or geographical area of operations; (iii) is a subsidiary acquired exclusively for the purpose of resale.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(30) Segment information

The Group identifies operating segments based on the internal organization, management requirements and internal reporting system and the reportable segments is determined and segment information is disclosed based on the operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (i) the component is able to earn revenues and incur expenses from its operation activities; (ii) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (iii) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have the similar economic characteristics and satisfy certain conditions, they could be aggregated into one single operating segment.

(31) Purchase equity interests in subsidiaries from non-controlling interests and partial disposal of interest in subsidiaries without loss of control

For the transaction with non-controlling interest to partially or wholly acquire interests in a subsidiary after obtaining the control rights over the subsidiary, the assets and liabilities of the subsidiary are measured consistently following their value at the acquisition or merger date in the consolidated financial statements. The difference between additions in long-term investment due to the interest purchase and additions of shared net assets of the subsidiary calculated by the additional share proportion should be recorded in capital reserve (share premium). In case share premium is not sufficient to offset the difference, retained earnings should be adjusted.

For the transaction to dispose long-term equity investment in a subsidiary with non-controlling interest without losing control rights over the subsidiary, the difference between the proceeds from disposal of interests and the decrease of the shared net assets of the subsidiary is adjusted to capital reserve (share premium). In case share premium is not sufficient to offset the difference, retained earnings will be adjusted.

(32) Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) *Property development cost*

Critical estimates and judgments on budget cost and development progress are required in determining property development cost. The budget cost and development progress of the project is reviewed by the Group on a regular basis and adjusted as appropriate. Should the actual cost differs from the budget cost, such difference will impact the relevant property development cost or main operation cost.

(ii) *Taxes*

The Group is subject to various taxes for the business of property development. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required in determining the provision for land appreciation tax ("LAT"). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the year in which such determination is made.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(32) Critical accounting estimates and judgments *(Continued)*

(a) Critical accounting estimates and key assumptions *(Continued)*

(iii) *Impairment of assets*

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in note 2(19). If there is objective evidence that the carrying amount of assets is in excess of its recoverable amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(iv) *Provisions for bad debts of receivables*

The Group tests annually whether receivables suffer any impairment in accordance with the accounting policy stated in note 2(11). If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is recognized.

(v) *Deferred income tax assets*

Judgment for whether deductible temporary differences and deductible losses can be reversed in the future period is required from the Group in recognizing deferred income tax assets. For deductible temporary differences and deductible losses, the Group recognizes deferred income tax assets to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses.

(vi) *Fair value of investment properties*

The Group adopts fair value model for subsequent measurement of investment properties. Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by the Group), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measured. Critical estimates and judgments are required in determining the timing to adopt fair value model for subsequent measurement of investment properties, the Group make such estimates and judgments based on the area, market condition, and development progress of the investment property project and obtains independent valuations for its investment properties at least annually from an independent professional valuer as a third party. The fair value is determined in accordance with the methods below:

- Current prices (open market quotations) in an active market for the same or similar investment properties;
- When such information above is not available, then use recent trading prices in an active market of the same or similar investment property, and take the factors of situations, dates and locations of transactions, etc. into consideration;
- Based on the estimated rental income generated in the future and present value of the related cash flows.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(32) Critical accounting estimates and judgments *(Continued)*

(a) Critical accounting estimates and key assumptions *(Continued)*

(vii) Provision for inventory impairment

The Group measures the inventories at the lower of cost and net realizable value at the balance sheet date. The calculation of net realizable value needs assumptions and estimates. If the management changes the estimated selling price and the estimated costs and expenses to completion, the estimated net realizable value would be affected; such difference will impact the provisions of inventories which have been recognized.

(viii) Deferred income tax liabilities

The Group needs to estimate the possibility of the dividend distribution or share transfer of the related investees to realize the taxable temporary difference, when recognizing deferred income tax liabilities for taxable temporary differences relating to equity investments.

(b) Critical judgments on application of accounting policy – revenue recognition

According to the accounting policy stated in note 2(24), the assessment of when an entity has transferred the significant risks and rewards of interestship to buyers requires the judgment according to the circumstances of the transaction. In most cases, the transfer point of risks and rewards of ownership coincides with the date when the buyer check and accept the property or when the buyer is regarded as checking and accepting the property.

As disclosed in note 10, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are mortgaged to banks by the purchasers. The Group believes that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers when the buyer check and accept the property or when the buyer is regarded as checking and accepting the property.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

3. TAXATION

The types and rates of taxes applicable to the Group are set out below:

Type	Taxable base	Tax rate
Enterprise income tax	Taxable income of subsidiaries located in the PRC	25%
	Income from taxable dividends of non-resident enterprises and investments disposal in Mainland China	5%–10%
	Taxable income of subsidiaries located in Hong Kong	16.5%
Value added tax (“VAT”) (a)	Taxable value added amount (calculated at taxable sales multiplied by applicable tax rate, deducting the input VAT deductible in current period)	5%–17%
Business tax (a)	Taxable turnover amount	5%
LAT	Taxable value added amount through sales of properties	30%–60%
City maintenance and construction tax	Amount of VAT and business tax paid	5%–7%
Education surcharge	Amount of VAT and business tax paid	3%
Property tax	Taxable residual value of properties	1.2%
	Rental income of properties	12%

- (a) In accordance with the Circular on the full implementation of Levying Value Added Tax in place of Business Tax (Caishui No. 36, 2016), since 1 May 2016 levying value added tax in place of business tax is implemented in all industries in the PRC. Construction industry, real estate industry, financial industry and service industry etc. apply to VAT in place of business tax. According to the regulation, sales revenue from the real estate development and investment, and commercial property operation of the Group apply to the VAT since 1 May 2016, of which, real estate development project with construction permit stating the commencement date is before 30 April 2016 applies the rate of levy collection of 5%, otherwise applies the general rate of 11%. The commercial property operation business applies the rate of 5% to 17%. These businesses applied to business tax with the rate of 5% before 1 May 2016.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2016	31 December 2015 (restated)
Cash on hand	868	3,639
Bank deposits	17,908,576	19,933,233
Other cash balances	16,303	166,110
Total	17,925,747	20,102,982
Including: overseas deposits	2,251,770	1,661,518

As at 31 December 2016, bank deposits includes supervised advance from customers, security deposits for certain mortgage loans to customers and certain borrowings amounted to RMB1,351,017,000 (31 December 2015: RMB1,732,758,000). The Group has reclassified the above amount to restricted bank deposits.

Including: as at 31 December 2016, the carrying amount of supervised advance from customers was RMB592,931,000 (31 December 2015: RMB958,213,000). According to the requirements of some local authorities (such as in Beijing, Tianjin etc.) in the PRC, real estate developers need to open supervised bank account when applying for pre-sale permit for new commercial property. All the advances received from property customers should be transferred to such account. Which are supervised by regulator and all cash payment from such account should coincide with the construction progress in order to ensure the cash being used for property construction on a priority basis.

As at 31 December 2016, the secured deposits for loan amounted to RMB 728,993,000 (31 December 2015: RMB729,521,000).

As at 31 December 2016, other cash balances amounted to RMB16,303,000 (31 December 2015: RMB166,110,000) are deposits for bank acceptance bill. The Group has classified such amount to restricted bank deposits.

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

	31 December 2016	31 December 2015
Beijing Urban Construction Design & Development Group Co.,Ltd. — Listed company on HKEx	217,141	228,266

On the balance sheet date, the fair values of the financial assets are determined by the closing price on the last trading day of the year.

(3) Dividends receivable

	31 December 2016	31 December 2015
Tianjin Xinming Real Estate Co.,Ltd. ("Tianjin Xinming")	12,000	21,825

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(4) Trade receivables

	31 December 2016	31 December 2015 (restated)
Trade receivables	1,002,223	683,898
Less: provision for bad debts	(7,000)	(7,000)
Net	995,223	676,898

Most sales of the Group are in the form of cash and advanced payment. Other sales are collected subject to the agreed terms on sales contract.

(a) The aging of trade receivables is analyzed as follows:

	31 December 2016	31 December 2015 (restated)
Within 1 year	370,636	98,388
1 to 2 years	47,907	472,797
2 to 3 years	470,967	104,591
Over 3 years	112,713	8,122
Total	1,002,223	683,898

As at 31 December 2016, trade receivables of RMB1,122,000 (31 December 2015: RMB1,122,000) is overdue but not impaired. Based on the financial circumstance and the credit records, the Group thought the trade receivables are collectable. Analysis of trade receivables are as follows:

	31 December 2016	31 December 2015
Over 3 years	1,122	1,122

As at 31 December 2016, trade receivables of RMB7,000,000 (31 December 2015: RMB7,000,000) is overdue and impaired with aging over 3 years, which is fully impaired with amount of RMB7,000,000 (31 December 2015: RMB7,000,000).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Trade receivables (Continued)

(b) The trade receivables classified by their categories are analyzed as follows:

	31 December 2016	31 December 2015 (restated)
Primary land development (i)	636,858	636,858
Property sales	339,223	21,219
Investment properties	10,909	13,922
Others	15,233	11,899
Total	1,002,223	683,898

(i) The amount is due from Land Reserve Centers of Tianjin arising from primary land development cooperated by the Group and Land Reserve Centers of Tianjin in Wuqing District.

	31 December 2016				31 December 2015 (restated)			
	Book value		Provision		Book value		Provision	
	Amount	% of total balance	Amount	Provision for bad debts (%)	Amount	% of total balance	Amount	Provision for bad debts (%)
Significant individual amount and subject to separate provision for bad debts	7,000	1	(7,000)	100	7,000	1	(7,000)	100
Receivables that are subject to separate provision for bad debts with no similar credit characteristic	995,223	99	-	-	676,898	99	-	-
Total	1,002,223	100	(7,000)	1	683,898	100	(7,000)	1

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables

	31 December 2016	31 December 2015 (restated)
Receivables due from joint ventures (note 9(6))	1,031,422	535,556
Receivables due from associates (note 9(6))	1,313	10,164
Receivables due from other related parties (note 9(6))	317,100	32
Receivables due from parent company (note 9(6))	13,492	169
Land deposits and other guarantee deposits	843,739	206,932
Receivables from primary land development (i)	125,852	63,147
Consideration receivables from disposal of subsidiaries' equity and claims for debts (ii)	393,829	1,089,750
Consideration receivable from disposal of associates' equity	17,511	17,511
Withholding receivables	187,959	184,923
Others	546,040	444,682
Total	3,478,257	2,552,866
Less: provisions for doubtful debts	(41,791)	(41,791)
Other receivables — net	3,436,466	2,511,075

- (i) The receivables from primary land development are receivables from Land Reserve Centers of Beijing and Tianjin.
- (ii) As at 31 December 2016, the receivable were mainly due from Huaqian Company for the disposal of Beijing Tiancheng Yongtai Real Estate Co., Ltd. (hereinafter "Tiancheng Yongtai"), a former subsidiary of the Group, which amounted to RMB75,256,000, and the consideration due from the disposal of former subsidiary Outlets Property Investment Guang Dong Ltd..
- (a) The aging of other receivables is analyzed as follows:

	31 December 2016	31 December 2015 (restated)
Within 1 year	2,839,561	1,994,725
1 to 2 years	137,726	80,634
2 to 3 years	65,758	87,649
Over 3 years	435,212	389,858
Total	3,478,257	2,552,866

As at 31 December 2016, other receivables amounted to RMB75,256,000 (31 December 2015: Nil) were overdue, but based on the financial position and analysis of credit record, the Group believes that the receivables were recoverable and not impaired, so no provision for impairment is recognized.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

(b) The other receivables classified by their categories are analyzed as follows:

	31 December 2016				31 December 2015 (restated)			
	Book value		Provision		Book value		Provision	
	Amount	% of total balance	Amount	Provision for bad debts (%)	Amount	% of total balance	Amount	Provision for bad debts (%)
Receivables that are subject to provision for bad debts on the grouping basis								
– Group of related parties	1,363,327	39	-	-	545,921	21	-	-
Receivables that are subject to separate provision with no similar credit characteristics	2,073,139	60	-	-	1,965,154	77	-	-
Receivables with amount that are not individually significant but subject to separate assessment for provision for bad debts	41,791	1	(41,791)	100	41,791	2	(41,791)	100
Total	3,478,257	100	(41,791)	1	2,552,866	100	(41,791)	2

(6) Advances to suppliers

	31 December 2016	31 December 2015
Advances to suppliers for construction	203,438	134,503
Prepaid sales commissions	86,376	139,486
Advances to suppliers for land	82,233	311,751
Total	372,047	585,740

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Advances to suppliers (Continued)

(a) The aging of the advances to suppliers is analyzed as follows:

	31 December 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	337,448	91	568,287	97
Over 1 year	34,599	9	17,453	3
Total	372,047	100	585,740	100

The advances to suppliers with aging over 1 year are mainly prepaid sales commissions of property sales. As such properties are not available for usage, the advances are not recognized as expenses yet.

(7) Inventories

(a) Inventories are classified as follows:

	31 December 2016			31 December 2015 (restated)		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Properties under development	50,336,386	(15,685)	50,320,701	48,608,821	(15,685)	48,593,136
Properties held for sale	13,498,325	(53,863)	13,444,462	9,234,069	(144,496)	9,089,573
Land under development	446,846	-	446,846	406,423	-	406,423
Work in progress (i)	299,691	-	299,691	49,766	-	49,766
Others	31,329	-	31,329	221	-	221
Total	64,612,577	(69,548)	64,543,029	58,299,300	(160,181)	58,139,119

(i) Construction contract

	31 December 2016	31 December 2015
Costs incurred plus gross profit recognized	299,691	49,766
Less: payment settled	-	-
	299,691	49,766
Work in progress before provision for impairment	299,691	49,766
Less: Provision for impairment of work in progress	-	-
Work in progress — net	299,691	49,766

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Inventories (Continued)

(b) The movement of inventories' book balance in current year is as follows:

	31 December 2015 (restated)	Additions	Reductions	31 December 2016
Costs				
Properties under development	48,608,821	23,486,121	(21,758,556)	50,336,386
Properties held for sale	9,234,069	21,269,682	(17,005,426)	13,498,325
Land under development	406,423	40,423	-	446,846
Work in progress	49,766	249,925	-	299,691
Others	221	31,928	(820)	31,329
Total	58,299,300	45,078,079	(38,764,802)	64,612,577

(c) Analysis of provisions for impairment of inventories are classified as follows:

	31 December 2015	Additions Provision	Reductions Reverse	Write-off	31 December 2016
Properties under development	15,685	-	-	-	15,685
Properties held for sale	144,496	772	-	(91,405)	53,863
Total	160,181	772	-	(91,405)	69,548

In 2016, the properties held for sale with the carrying amount of RMB16,579,917,000 (2015: RMB12,937,735,000) has been recognized as cost of sales.

As at 31 December 2016, the financed costs capitalized in the properties under development amounted to RMB5,706,115,000 (31 December 2015: RMB4,763,408,000). In 2016, the capitalization rate is 5.79% (2015: 7.88%).

As at 31 December 2016, certain land use rights in the properties under development amounted to RMB3,394,742,000 (31 December 2015: RMB6,117,870,000) have been mortgaged as security for long-term borrowings of RMB1,604,190,000 (31 December 2015: RMB1,477,500,000) (note 4(28)(c)).

As at 31 December 2016, certain land use rights and buildings in properties under development of the Group with a carrying amount of RMB6,808,126,000 (31 December 2015: RMB2,090,151,000) have been mortgaged as security for long-term borrowings of RMB2,032,000,000 (31 December 2015: 1,494,700,000) (note 4(28)(c)).

As at 31 December 2016, certain land use rights in properties under development of the Group with a carrying amount of RMB4,202,310,000 (31 December 2015: RMB7,245,878,000) have been mortgaged as security for long-term borrowings of RMB1,341,640,000 (31 December 2015: RMB3,403,047,000), which were guaranteed by the Company as well (note 4(28)(e)).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Inventories (Continued)

As at 31 December 2016, certain land use rights and buildings in properties under development with a carrying amount of RMB3,765,248,000 (31 December 2015: RMB5,929,972,000) have been mortgaged as security for long-term borrowings of RMB1,460,400,000 (31 December 2015: RMB3,936,400,000), which were guaranteed by the Company as well (note 4(28)(e)).

As at 31 December 2016, certain land use rights in properties under development with a carrying amount of RMB1,058,025,000 (31 December 2015: RMB1,056,357,000) have been mortgaged as security for long-term borrowings of RMB1,220,000,000 (31 December 2015: RMB1,220,000,000), which were guaranteed by Capital Group as well (note 4(28)(e)).

As at 31 December 2016, certain land use rights in properties under development with a carrying amount of RMB186,051,000 (31 December 2015: Nil) have been mortgaged as security for long-term borrowings of RMB300,000,000 (31 December 2015: Nil), which were guaranteed by the Company and third parties and certain subsidiary's equity interests of the Group as well (note 4(28)(g)).

As at 31 December 2016, certain land use rights in properties under development with a carrying amount of RMB854,795,000 (31 December 2015: RMB854,795,000) have been mortgaged as security for long-term payables of RMB300,000,000 (31 December 2015: RMB400,000,000), which were guaranteed by the Company (note 4(30)).

(8) Assets classified as held for sale

	31 December 2016			
	Book value	Fair value	Estimated disposal expense	Estimated disposal time
Long-term equity investments (a)	9,921	9,921	–	2017

	31 December 2015			
	Book value	Fair value	Estimated disposal expense	Estimated disposal time
Long-term equity investments (a)	9,921	9,921	–	2016

- (a) The Group entered into an equity interest transfer agreement to dispose 10% equity interests in Hainan Boao Lecheng Development Holding Co., Ltd. (“Hainan Boao Lecheng”), with the consideration of RMB20,000,000 (Note 4(26)). As such transaction has not been completed in commercial registration, the Group classified the book value of the long-term equity investment amounted to RMB9,921,000 held by the Group as assets classified as held for sale. In spite of the efforts and actions took by the Group in order to complete this transaction, this transaction has not been completed as at 31 December 2016 due to the delay in the equity interest transfer process. However, the Group has no intention to change the plan of equity interest transfer and has been negotiating with counterparty actively. Such transaction is planned to be completed in 2017. Therefore, the Group still classified the equity interests of Hainan Boao Lecheng to assets classified as held for sale.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Other current assets

	31 December 2016	31 December 2015
Prepaid taxes	2,742,560	2,173,581
Pending deduct and withholding VAT	92,310	–
Others	4,603	7,341
Total	2,839,473	2,180,922

(10) Available-for sale financial assets

	31 December 2016	31 December 2015
At fair value		
– Available-for-sale equity instruments (a)	2,320,462	16,444
At cost		
– Available-for-sale equity instruments (b)	70,000	70,000
Less: impairment provision	–	–
Net	2,390,462	86,444

- (a) As at 31 December 2016, the available-for-sale equity instruments at fair value held by the Group are the right to yields and remaining property division in real estate development project of Tiancheng Yongtai held by the Group (note 6(2)(a)(ix)).

In 2016, the Group disposed all its equity investment in Yangguang Xinye Real Estate Co., Ltd., a listed company in Mainland China.

- (b) Available-for sale financial assets measured at cost are mainly equity of non-listed companies held by the Group, which have no active market quotation. The range of variation of fair value's reasonable estimates are wide and the various probability adopted to determine the fair value estimates can not be reasonably determined, resulting in fair value not reliably measured. The Group has no intention to dispose such investments yet.

As at 31 December 2016, the Group holds 0.99% equity interests of the total shares of CDB Siyuan (Beijing) Investment Fund Ltd. (hereinafter "CDB Siyuan"), and the Group does not have significant influence on CDB Siyuan. The largest risk exposure equals to the book value of the shares the Group held on 31 December 2016, i.e., RMB50,000,000.

As at 31 December 2016, the Group holds 10% equity interests of the total shares of Beijing Capital Financial Assets Transaction Information Service Co., Ltd. (hereinafter "Capital Financial Service"), which was set up by the Group together with the Group's parent company and its certain subsidiaries. And the Group does not have significant influence on Capital Financial Service. The largest risk exposure equals to the book value of the shares the Group held on 31 December 2015, i.e., RMB20,000,000.

The Group does not have significant influence on the investees mentioned above, therefore the investments are classified as available-for-sale financial instruments.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term equity investments

	31 December 2016	31 December 2015 (restated)
Joint ventures (a)	1,720,019	3,819,666
Associates (b)	1,358,410	1,001,187
Total	3,078,429	4,820,853
Less: provision for impairment of long-term equity investments	-	-
Net	3,078,429	4,820,853

There is no significant restriction on sale of the long-term equity investments of the Group and collection of the investment income.

(a) Joint ventures

	31 December 2015 (restated)	Increase in investment	Decrease in investment	Share of net profit/ (losses)	Changes in this year					31 December 2016	Provision for impairment
					Share of other compre- hensive income	Other equity move- ment	Cash dividend or profit declared	Impairment provided in current year	Others		
Shenyang Jitian Real Estate Co., Ltd. ("Shenyang Jitian")	114,419	-	-	(8,149)	-	-	-	-	(116)	106,154	-
Beijing Wanzhu Real Estate Co., Ltd. ("Beijing Wanzhu") (i)	165,546	-	-	10,359	-	-	(120,000)	-	-	55,905	-
Capital Jiaming New Town Investment and Development Ltd. ("Capital Jiaming")	166,872	-	-	(702)	-	-	-	-	-	166,170	-
Tianjin Haileybury International School ("International School") (ii)	-	-	-	-	-	-	-	-	-	-	-
Tianjin Tonghua Qiangyu Investment and Management Co., Ltd. ("TonghuaQiangyu") (iii)	5,886	-	-	(5,886)	-	-	-	-	-	-	-
Zhuhai Hengqin Shoujuchuangxin Equity Fund Management Company ("Zhuhai Hengqin Fund Management Company") (iv)	-	-	-	53,776	-	-	-	-	-	53,776	-
Zhuhai Hengqin Eco Village Fund (Note 6(2)(a)(ii))	266,797	-	(226,449)	(38,963)	-	-	-	-	(1,385)	-	-
Zhuhai Hengqin Capital Zizhufang Fund (LLP) ("Zhuhai Hengqin Zizhufang Fund") (Note 6(2)(a)(iii))	93,888	-	(112,217)	26,429	-	-	(8,100)	-	-	-	-
Zhuhai Hengqin Ruiyuan Jianling Equity Investment Fund (LLP) ("Zhuhai Hengqin Ruiyuan Jianling Fund") (Note 6(2)(a)(iv))	482,974	-	(437,354)	(44,664)	-	-	-	-	(956)	-	-
Zhuhai Hengqin Chengdu Weihua Equity Investment Fund (LLP) ("Zhuhai Hengqin Chengdu Weihua Fund") (Note 6(2)(a)(v))	269,150	-	(308,522)	82,920	-	-	(42,090)	-	(1,458)	-	-

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term equity investments (Continued)

(a) Joint ventures (Continued)

	31 December 2015 (restated)	Increase in investment	Decrease in investment	Share of net profit/ (losses)	Changes in this year					31 December 2016	Provision for impairment
					Share of other compre- hensive income	Other equity move- ment	Cash dividend or profit declared	Impairment provided in current year	Others		
Beijing Zhongguancun Integrated Circuit Design Garden Development Co. Ltd. ("Zhongguancun Integrated Circuit Garden") (Note 6(2)(a)(vii))	84,235	100,000	-	139,289	-	-	-	-	(323,524)	-	-
Shanghai Shoujia Real Estate Co., Ltd. ("Shanghai Shoujia") (Note 6(2))	57,270	-	-	339,430	-	-	-	-	-	396,700	-
Shanghai Henggu Real Estate Development Co., Ltd. ("Shanghai Henggu") (v)	91,532	-	-	25,676	-	-	-	-	-	117,208	-
Shanghai Songming Real Estate Development Co., Ltd. (Shanghai Songming) (vi)	63,306	-	-	33,140	-	-	-	-	-	96,446	-
Beijing Tongchuang Jinlong Real Estate Co. Ltd. ("Tongchuang Jinlong") (vii)	25,597	-	-	(5,325)	-	-	-	-	-	20,272	-
Capital Qinglv (Kunshan) Real Estate Co. Ltd. ("Capital Qinglv") (Note 6(2))	226,182	-	-	14,550	-	-	-	-	-	240,732	-
Tiancheng Yongtai (Note 6(2))	1,700,505	-	(1,702,977)	2,472	-	-	-	-	-	-	-
Beijing Jinlong Yonghui Real Estate Co., Ltd. ("Jinlong Yonghui") (viii)	1,998	11,640	-	(4,630)	-	-	-	-	-	9,008	-
Beijing Dacheng Guangyuan Real Estate Co., Ltd. ("Dacheng Guangyuan") (ix)	2,234	10,000	-	(5,640)	-	-	-	-	-	6,594	-
Shouwan Yuye (Shanghai) Property Services Co., Ltd. ("Shouwan Yuye") (x)	1,275	-	-	(1,275)	-	-	-	-	-	-	-
Tianjin Lianjin Real Estate Co., Ltd. ("Tianjin Lianjin") (Note 6(2))	-	31,250	-	(2,850)	-	-	-	-	-	28,400	-
Shangbodi (Note 5(3))	-	161,493	-	12,092	-	-	-	-	-	173,585	-
Shanghai Zhiyue Industrial Co., Ltd. ("Shanghai Zhiyue") (Note 6(2))	-	250,000	-	(931)	-	-	-	-	-	249,069	-
Total	3,819,666	564,383	(2,787,519)	621,118	-	-	(170,190)	-	(327,439)	1,720,019	-

The related information of the joint ventures are set out in note 6(2).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(11) Long-term equity investments *(Continued)*

(a) Joint ventures *(Continued)*

- (i) In June 2012, the Group acquired 30% equity interests of Beijing Wanzhu by capital injection. However, according to the Articles of Association of the company, the Group and other shareholders jointly control Beijing Wanzhu, therefore it is recognized as a joint venture.
- (ii) The net assets of International School are negative due to continuous losses in the past years. As the Group does not have the obligation to bear the additional losses beyond the share, the Group recognizes the carrying value of the long-term equity investment at zero other than negative. In 2016, the unrecognized investment losses amounted to RMB1,671,000 (2015: RMB2,530,000). As at 31 December 2016, the accumulated investment losses that are not recognized amounted to RMB8,534,000 (31 December 2015: RMB6,863,000).
- (iii) The Company holds 40% equity interests of Tonghua Qiangyu. According to the Articles of Association of the company, the Company and other shareholders jointly control Tonghua Qiangyu, therefore it is recognized as a joint venture. The net assets of Tonghua Qiangyu are negative due to the losses in 2016. As the Group does not have the obligation to bear the additional losses beyond the share, the Group recognizes the carrying value of the long-term equity investment at zero other than negative. In 2016, the unrecognized investment losses amounted to RMB10,526,000. As at 31 December 2016, the accumulated investment losses that are not recognized amounted to RMB10,526,000.
- (iv) The Company holds 40% equity interests of Zhuhai Hengqin Fund Management Company. According to the Articles of Association of the company, the Group and other shareholders jointly control Zhuhai Hengqin Fund Management Company, therefore it is recognized as a joint venture.
- (v) The Group holds 28% equity interests of Shanghai Henggu. However, according to the Articles of Association of the company, the decisions of relevant operation activities of Shanghai Henggu require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (vi) The Group holds 28% equity interests of Shanghai Songming. However, according to the Articles of Association of the company, the decisions of relevant operation activities of Shanghai Songming require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (vii) The Group holds 25% equity interests of Tongchuang Jinlong. However, according to the Articles of Association of the company, the decisions of relevant operation activities of Tongchuang Jinlong require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (viii) The Group holds 14.55% equity interests of Jinlong Yonghui. According to the Articles of Association of the company, the decisions of relevant operation activities of Jinlong Yonghui require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture. In 2016, the Group and other shareholders decided to increase the capital of Jinlong Yonghui, of which the capital injection of the Group amounted to RMB11,640,000. After the injection, the registered capital of JinlongYonghui reached RMB100,000,000.
- (ix) The Group holds 12.5% equity interests of Dacheng Guangyuan. According to the Articles of Association of the company, the decisions of relevant operation activities of Dacheng Guangyuan require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture. In 2016, the Group and other shareholders decided to increase the capital of Dacheng Guangyuan, of which the capital injection of the Group amounted to RMB10,000,000. After the injection, the registered capital of Dacheng Guangyuan reached RMB100,000,000.
- (x) The Group holds 51% equity interests of Shouwan Yuye. According to the Articles of Association of the company, the decisions of relevant operation activities of Shouwan Yuye require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term equity investments (Continued)

(b) Associates

	Change in this year									31 December 2016	Provision for impairment
	31 December 2015	Increase in investment	Decrease in investment	Share of net profit/(losses)	Other comprehensive income movement	Other equity movement	Cash dividend and profit declared	Impairment provided in current year	Others		
Beijing GoldenNet Property Investment Adviser ("GoldenNet") (i)	6,904	-	-	6,338	-	-	-	-	-	13,242	-
Beijing Sunshine City Commercial Investment Co., Ltd. ("Sunshine City Commercial") (Note 6(2))	190,240	-	-	301	-	-	-	-	-	190,541	-
Shenyang Capital Real Estate Co., Ltd. ("Shenyang Xinzi") (note 6(2))	263,199	-	-	4,153	-	-	-	-	(143)	267,209	-
Tianjin Xinqing Real Estate Co., Ltd. ("Tianjin Xinqing") (Note 6(2))	265,261	-	-	(124)	-	-	-	-	(12)	265,125	-
Tianjin Xinming (Note 6(2))	260,311	-	-	(16,571)	-	-	-	-	-	243,740	-
Beijing Financial Street International Hotel Co., Ltd. ("Financial Street Hotel") (ii)	-	-	-	(31,984)	31,984	-	-	-	-	-	-
Beijing Outlets Chuangxin Business Management Co., Ltd. ("Outlets Chuangxin") (iii)	-	-	-	-	-	-	-	-	-	-	-
Capital Qinglv Culture Tourism (Kunshan) Co., Ltd. ("Capital Qinglv Culture")	15,272	-	-	(243)	-	-	-	-	-	15,029	-
Changsha Joy City Investment Co., Ltd. ("Changsha Investment") (iv)	-	40,000	-	-	-	-	-	-	-	40,000	-
Zhongguancun Integrated Circuit Garden (Note 6(2))	-	-	-	-	-	-	-	-	323,524	323,524	-
Total	1,001,187	40,000	-	(38,130)	31,984	-	-	-	323,369	1,358,410	-

The related information of the associates are set out in note 6(2).

- (i) The Company holds 14% equity interests of GoldenNet and has significant influence on board of the directors of the company, which is responsible for determining the financial policies in the ordinary course of business, therefore it is classified as an associate.
- (ii) According to the articles of association, the Group holds 59.5% equity interests in the Financial Street Hotel directly and indirectly, and enjoys 34% profit of the Financial Street Hotel. The Group takes one out of three seats in the board of directors, which is responsible for the financial decisions in the ordinary course of business, therefore the company is classified as an associate.

The net assets of the Financial Street Hotel are negative due to continuous losses in the previous years. As the Group does not have the obligation to bear the additional losses beyond the share, the Group recognizes the carrying value of the long-term equity investment to zero other than negative. In 2016, part of the properties held by Financial Street Hotel transferred to Investment property from inventory due to operation plans. Therefore the Group recognized other comprehensive income through equity method amounted to RMB31,984,000, with investment losses and unrecognized losses recognized accordingly. (2015: the unrecognized investment losses amounted to RMB15,359,000). As at 31 December 2016, the accumulated unrecognized investment losses amounted to RMB56,952,000 (31 December 2015: RMB 67,162,000).

- (iii) In March 2016, Outlets Chuangxin had cancelled registration, and the accumulated unrecognized investment losses had been transferred out accordingly.
- (iv) In 2016, the Group set up Changsha Investment together with other shareholders and the Group holds 30% equity interests of the company. According to the Article of Association of Changsha Investment, the Group has significant influence on the board of the directors, which is responsible for determining the operation policies in the ordinary course of business, therefore it is classified as an associate.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(12) Investment properties

	Completed investment properties	Investment properties under development measured at fair value	Investment properties under development measured at cost	Total
31 December 2015 (restated)	6,476,541	3,825,000	1,643,492	11,945,033
Additions	–	656,530	846,282	1,502,812
Transferred from inventories (i)	154,086	–	–	154,086
Fair value movement recognized in other comprehensive income (Note 4(34))	5,914	–	–	5,914
Gains on change in fair value (Note 4(41))	518,342	1,020,072	–	1,538,414
Transfers (ii)	388,568	1,352,398	(1,740,966)	–
Less: provision for impairment	–	–	–	–
31 December 2016	7,543,451	6,854,000	748,808	15,146,259

(i) In 2016, certain subsidiary of the Group decided to change the purpose of certain properties held for sale to long-term operating lease. The initial cost of such investment properties is the carrying value of the properties held for sale at transfer date amounting to RMB154,086,000.

(ii) As at 31 December 2016, some of the investment properties of the Group are still under construction, of which the fair value can not be reliably determined but is expected to be measured reliably after the completion, therefore the Group measures such investment properties at cost until the date construction is completed or the date at which fair value becomes reliably measurable, whichever is earlier.

As at 31 December 2016, certain investment properties with book value of RMB1,884,803,000 (31 December 2015: RMB1,257,560,000) have been pledged for long-term borrowings of RMB743,000,000 (31 December 2015: RMB869,000,000) (note 4(28)(c)).

As at 31 December 2016, certain investment properties with book value of RMB1,379,870,000 (31 December 2015: RMB971,146,000) have been pledged for long-term borrowings of RMB540,000,000 (31 December 2015: RMB440,000,000), which were guaranteed by the Company as well (note 4(28)(e)).

In 2016, the capitalized financial costs in the investment properties under development amounted to RMB703,056,000 (2015: RMB905,167,000). The capitalization rate is 5.79% (2015: 7.88%).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Fixed assets

	Buildings	Motor vehicles	Office equipment	Total
Cost				
31 December 2015 (restated)	122,245	61,312	59,983	243,540
Increase	5,025	4,032	7,713	16,770
Purchase	5,025	4,032	7,713	16,770
Decrease	–	(3,151)	(304)	(3,455)
Disposal and write-off	–	(2,737)	(215)	(2,952)
Disposal of subsidiaries	–	(414)	(89)	(503)
31 December 2016	127,270	62,193	67,392	256,855
Accumulated depreciation				
31 December 2015 (restated)	(18,583)	(46,259)	(40,433)	(105,275)
Increase	(2,653)	(4,730)	(11,917)	(19,300)
Accrument	(2,653)	(4,730)	(11,917)	(19,300)
Decrease	–	2,140	23	2,163
Disposal and write-off	–	2,016	2	2,018
Disposal of subsidiaries	–	124	21	145
31 December 2016	(21,236)	(48,849)	(52,327)	(122,412)
Provision for impairment				
31 December 2015 (restated)	–	–	–	–
Increase	–	–	–	–
Decrease	–	–	–	–
31 December 2016	–	–	–	–
Net book value				
31 December 2016	106,034	13,344	15,065	134,443
31 December 2015 (restated)	103,662	15,053	19,550	138,265

In 2016, depreciation expense charged in property under development, cost of sales and administrative expenses amounted to RMB0, RMB0 and RMB19,300,000 respectively (2015: RMB204,000, RMB15,420,000 and RMB17,777,000).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Long-term receivables

	31 December 2016	31 December 2015 (restated)
Receivables due from joint ventures (Note 9(6))	196,500	913,500
Receivables due from associates (Note 9(6))	664,786	323,075
Receivables due from creditor's investments (a)	2,421,192	1,640,446
Receivables from primary land development (b)	3,473,954	2,379,676
Total	6,756,432	5,256,697
Less: Current portion of long-term receivables	(3,957,937)	(593,030)
Net	2,798,495	4,663,667

- (a) This receivable is the principal and interest of the AUD investment in real estate development project in Australia, of which the principal amounted equivalent to RMB2,005,521,000 with interest rate at 20% and will mature from April 2017 to October 2019 respectively. The principal and interests will be received at the maturity date. Among which, RMB641,956,000 will be received before 31 December 2017, therefore it is reclassified as long-term receivables within one year.
- (b) Lujin Real Estate is mainly engaged in the primary land development (rebuilding project of shanty town) in Xihuangcun, Shijingshan District, Beijing. The primary development costs invested by Lujin Real Estate and the primary development profits calculated at a certain profit margin will be refunded by the district government after being examined by relevant authorities. As at 31 December 2016, the primary development costs and the relevant profits amounted to approximately RMB3,473,954,000 (31 December 2015: RMB2,379,676,000), of which, RMB 3,315,981,000 will be recollect in 2017, such amount was reclassified as current portion of non-current assets.

(15) Goodwill

	31 December 2015	Increase	Decrease	31 December 2016
Goodwill				
Beijing Capital Juda Limited ("Capital Juda")	172,137	-	-	172,137
Less: Impairment provision	-	-	-	-
Net	172,137	-	-	172,137

Goodwill listed above was generated from the acquisition of 65.1% equity interests of Capital Juda in 2013, as a result of expected economic effect of integrating and expanding the domestic and foreign financial platform of the Group and Capital Juda. The goodwill is mainly attributed to listing platform of Capital Juda and its business. As at 31 December 2016 and 31 December 2015, according to the Group's recoverable amount of Capital Juda asset group, goodwill above has no provision for impairment. The recoverable amount is determined based on Capital Juda's market value as a listed company.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Deferred income tax assets and deferred income tax liabilities

(a) Deferred income tax assets before offsetting

	31 December 2016		31 December 2015 (restated)	
	Deductible temporary differences and deductible losses	Deferred income tax assets	Deductible temporary differences and deductible losses	Deferred income tax assets
Provision for impairment of assets	40,314	10,078	40,314	10,078
Accrued salaries and other cost and expenses	276,908	69,227	358,884	89,721
Accumulated losses	2,511,082	627,771	1,636,058	409,015
Internal unrealized profit elimination	438,764	109,691	563,680	140,920
Total	3,267,068	816,767	2,598,936	649,734
Including:				
Amount of reversal expected within 1 year (including 1 year)		117,781		126,356
Amount of reversal expected beyond 1 year		698,986		523,378
Total		816,767		649,734

(b) Deferred income tax liabilities before offsetting

	31 December 2016		31 December 2015 (restated)	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Withholding income tax	88,530	8,220	88,530	8,220
Available-for-sale financial assets (i)	292,952	73,238	10,783	2,696
Business combination other than common control	696,948	174,237	759,560	189,890
Capitalized interest	3,056,796	764,199	2,062,148	515,537
Changes in fair value of investment properties recognized in profit or loss (note 4(41))	5,058,159	1,264,540	3,552,820	888,206
Changes in fair value of investment properties recognized in other comprehensive income (note 4(34))	614,555	153,639	755,584	188,896
Depreciation differences of investment properties	163,908	40,977	145,050	36,262
Primary land development	140,204	35,051	23,440	5,860
Total	10,112,052	2,514,101	7,397,915	1,835,567
Including:				
Amount of reversal expected within 1 year (including 1 year)		225,001		268,900
Amount of reversal expected beyond 1 year		2,289,100		1,566,667
Total		2,514,101		1,835,567

- (i) As at 31 December 2016, the taxable temporary differences of available-for-sale financial assets are mainly generated from the profit of the right to yields and share residual in properties of Tiancheng Yongtai project held by the Group.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Deferred income tax assets and deferred income tax liabilities (Continued)

- (c) The deductible temporary differences and deductible losses with no deferred income tax assets recognized are as follows:

	31 December 2016	31 December 2015 (restated)
Deductible losses	2,435,186	1,639,022
Deductible temporary differences	118,568	209,201
Total	2,553,754	1,848,223

- (d) The deductible losses with no deferred income tax assets recognized will be expired as follows:

	31 December 2016	31 December 2015 (restated)
2016	–	11,004
2017	257,604	257,604
2018	257,898	257,898
2019	481,060	481,060
2020	631,456	631,456
2021	807,168	–
Total	2,435,186	1,639,022

- (e) The net balance of deferred income tax assets and liabilities after offsetting are as follows:

	31 December 2016		31 December 2015 (restated)	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred income tax assets	161,571	655,196	180,333	469,401
Deferred income tax liabilities	161,571	2,352,530	180,333	1,655,234

(17) Other non-current assets

	31 December 2016	31 December 2015
Prepaid land deposits for investment property	394,808	–

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(18) Provision for impairment of assets

	31 December 2015	Additions	Decrease Reversal	Write off	31 December 2016
Provisions for bad debt	48,791	-	-	-	48,791
Including:					
trade receivables	7,000	-	-	-	7,000
other receivables	41,791	-	-	-	41,791
Provisions for inventories impairment	160,181	772	-	(91,405)	69,548
Total	208,972	772	-	(91,405)	118,339

(19) Short-term borrowings

	Currency	31 December 2016	31 December 2015
Unsecured borrowings (a)	RMB	950,000	741,000
Secured borrowings, including:			
Guaranteed	RMB	-	200,000
Pledged (b)	RMB	720,000	470,000
	USD	239,327	224,029
Guaranteed/pledged	RMB	-	1,370,000
Total		1,909,327	3,005,029

(a) Unsecured borrowings

As at 31 December 2016, short-term borrowings of RMB950,000,000(31 December 2015: RMB741,000,000) are unsecured borrowings obtained by the Company.

(b) Pledged borrowings

As at 31 December 2016, short-term borrowings of RMB720,000,000(31 December 2015: RMB470,000,000) are pledged by deposits and bank deposits.

As at 31 December 2016, short-term borrowings denominated in USD equivalent to RMB239,327,000(31 December 2015: RMB224,029,000) are pledged by certain bank deposits of the Group.

As at 31 December 2016, the weighted average annual interest rate of short-term borrowings is 6.44% (31 December 2015: 8.37%).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(20) Trade payables

	31 December 2016	31 December 2015 (restated)
Construction payment payable	7,101,326	6,149,991
Others	43,794	47,970
Total	7,145,120	6,197,961

(a) The aging of trade payables is analyzed as follows:

	31 December 2016	31 December 2015 (restated)
Within 1 year	5,833,805	4,756,133
Over 1 year	1,311,315	1,441,828
Total	7,145,120	6,197,961

Trade payables with aging over 1 year are mainly construction payment unsettled.

(21) Advances from customers

	31 December 2016	31 December 2015 (restated)
Advances from sales of properties under development (i)	15,867,446	12,678,775
Other	38,964	4,563
Total	15,906,410	12,683,338

(i) Advances from sales of properties under development are mainly the amounts proceed from customers. As such properties are not available for usage at the end of the year, the corresponding revenue has not been recognized.

As at 31 December 2016, advances from customers with aging over 1 year amounted to RMB2,146,459,000 (31 December 2015: RMB1,953,450,000) are mainly advances from sales of properties under development.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Employee benefits payable

	31 December 2016	31 December 2015 (restated)
Short-term employee benefits payable (a)	116,521	201,653
Defined contribution plans payable (b)	3,017	3,685
Total	119,538	205,338

(a) Short-term employee benefit payable

	31 December 2015 (restated)	Additions	Reductions	31 December 2016
Wages and salaries, bonuses, allowances and subsidies	86,349	474,031	(480,100)	80,280
Staff welfare	–	972	(972)	–
Social security contributions	1,563	21,626	(21,581)	1,608
Including: Medical insurance	1,289	19,356	(19,346)	1,299
Work injury insurance	152	955	(951)	156
Maternity insurance	122	1,315	(1,284)	153
Housing funds	934	20,773	(21,707)	–
Labour union funds and employee education funds	8,573	5,459	(4,438)	9,594
Profit-sharing plan (Note 9(10))	70,963	–	(62,978)	7,985
Director's emoluments (i)	32,956	(808)	(15,300)	16,848
Others short-term employee benefit payable	315	1,943	(2,052)	206
Total	201,653	523,996	(609,128)	116,521

(i) In 2016, some of the directors of the Group signed a confirmation letter to give up part of the emoluments accrued in previous years amounted to RMB11,988,000. And the emoluments accrued for this year amounted to RMB11,180,000.

The Group does not provide non-monetary benefit to employee.

(b) Defined contribution plans payable

	31 December 2015 (restated)	Additions	Reductions	31 December 2016
Basic social pension security	3,218	36,247	(36,823)	2,642
Annuity	265	2,094	(2,163)	196
Unemployment insurance	202	1,704	(1,727)	179
Total	3,685	40,045	(40,713)	3,017

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Taxes payable

	31 December 2016	31 December 2015 (restated)
Enterprise income tax payable	753,357	830,761
Land appreciation tax payable	1,047,402	1,071,797
Business tax payable	–	304,646
VAT payable	344,369	(7,884)
Others	86,809	54,027
Total	2,231,937	2,253,347

(24) Interests payable

	31 December 2016	31 December 2015 (restated)
Interests payable due to debentures payable	438,450	202,792
Interests payable due to long-term borrowings	81,565	103,570
Interests payable due to short-term borrowings	14,448	12,076
Interests payable due to long-term payables	13,391	14,980
Total	547,854	333,418

(25) Dividends payable

	31 December 2016	31 December 2015
Dividends of other equity instrument by Shanghai Xinghan Asset Management Co., Ltd. (“Xinghan Asset”)	73,607	–
Reco Ziyang Pte Ltd (“Reco Ziyang”)	109,253	109,478
Dividends of senior perpetual securities	74,412	70,235
Dividends of Specific Assets Management Plan of Minsheng Jiayin Royal Asset Management Co., Ltd. (“Minsheng Jiayin”)	–	10,810
Dividends of Specific Assets Management Plan of Beijing Tiandi Fangzhong Asset Management Co., Ltd. (“Tiandi Fangzhong”)	–	7,280
Total	257,272	197,803

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26) Other payables

	31 December 2016	31 December 2015 (restated)
Payables to associates (Note 9(6))	108,513	260,469
Payables to joint ventures (Note 9(6))	685,389	1,011,471
Payables to other related parties (Note 9(6))	1,844,646	1,037,689
Payables to parent company (Note 9(6))	–	269,412
Collection of deeds tax and maintenance funds on behalf of government	158,557	212,748
Tender bond	50,851	46,151
Deposits from customers	131,566	103,681
Payables for routine business	1,200,554	475,112
Advances from equity transfer (i)	20,000	20,000
Others	491,536	494,373
Total	4,691,612	3,931,106

(i) As at 31 December 2016 and 2015, this balance is the advances from disposal of 10% equity interests of Hainan Boao Lecheng amounted to RMB20,000,000 (Note 4(8)(a)).

(27) Current portion of non-current liabilities

	Currency	31 December 2016	31 December 2015 (restated)
Long-term borrowings due within one year (Note 4(28))	RMB	7,173,140	5,662,707
Debentures payable due within one year (Note 4(29))	RMB	5,493,862	–
Long-term payables due within one year (Note 4(30))	RMB	1,700,000	1,100,000
Equity instrument terminated in advance (Note 6(1)(b2))	RMB	600,000	–
Total		14,967,002	6,762,707

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28) Long-term borrowing

	Currency	31 December 2016	31 December 2015 (restated)
Unsecured borrowings (a)	RMB	6,823,813	6,331,192
Secured borrowings, including:			
– Guaranteed (b)	RMB	3,301,320	3,931,050
	HKD	742,040	–
– Mortgaged (c)	RMB	4,379,190	4,273,700
– Pledged (d)	RMB	500,000	–
– Guaranteed, mortgaged (e)	RMB	4,562,040	9,316,447
– Guaranteed, pledged (f)	RMB	585,000	1,115,000
– Guaranteed, mortgaged, pledged (g)	RMB	300,000	700,000
– Borrowings from debt investment plan (h)	RMB	6,500,000	6,500,000
Subtotal		27,693,403	32,167,389
Less: Long-term borrowings due within one year including:			
Unsecured borrowings (a)	RMB	(1,080,000)	(597,000)
Secured borrowings:			
– Guaranteed (b)	RMB	(911,500)	(1,760,000)
– Mortgaged (c)	RMB	(90,000)	(464,200)
– Guaranteed, mortgaged (e)	RMB	(2,006,640)	(2,411,507)
– Guaranteed, pledged (f)	RMB	(585,000)	(330,000)
– Guaranteed, mortgaged, pledged (g)	RMB	–	(100,000)
– Borrowings from debt investment plan (h)	RMB	(2,500,000)	–
Subtotal		(7,173,140)	(5,662,707)
Long-term borrowings – Net		20,520,263	26,504,682

(a) Unsecured borrowings

As at 31 December 2016, bank borrowings of RMB6,823,813,000 (31 December 2015: RMB6,331,192,000) were unsecured borrowings obtained by the Group, with the interests payable quarterly. Among the borrowings above, principal of RMB1,080,000,000 should be repaid on or before 31 December 2017, such amount was classified as long-term borrowings due within one year in financial statement.

(b) Guaranteed borrowings

As 31 December 2016, the guaranteed borrowings denominated in HKD and CNY equivalented to RMB4,043,360,000 (31 December 2015: RMB3,931,050,000). Of which, principal amounted to RMB3,343,360,000 (31 December 2015: RMB1,471,050,000) were guaranteed by the Company; principal of RMB700,000,000 (31 December 2015: RMB1,700,000,000) are guaranteed by Capital Group. Among the borrowings above, interests of principal of RMB3,301,320,000 are payable quarterly and RMB742,040,000 are payable semiannually. RMB911,500,000 should be repaid on or before 31 December 2017, and such amount was classified as long-term borrowings due within one year in financial statement.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(28) Long-term borrowing *(Continued)*

(c) Mortgaged borrowings

As at 31 December 2016, the mortgaged borrowings amounted to RMB4,379,190,000 (31 December 2015: RMB4,273,700,000). Of which, bank borrowing of RMB1,604,190,000 (31 December 2015: RMB1,477,500,000) were secured by the mortgage of certain land use rights in properties under development of the Group (Note 4(7)), bank borrowing of RMB2,032,000,000 (31 December 2015: RMB1,494,700,000) were secured by the mortgage of certain land use rights and buildings in properties under development of the Group (Note 4(7)), bank borrowing of RMB743,000,000 (31 December 2015 : RMB869,000,000) were secured by the mortgage of certain buildings and land use rights in investment properties of the Group (Note 4(12)).

Interests of principal above are payable quarterly and principal of RMB90,000,000 should be repaid before 31 December 2017, such amount was classified as long-term borrowings due within one year in financial statement.

(d) Pledged borrowings

As at 31 December 2016, the pledged borrowings of the Group amounted to RMB500,000,000 (31 December 2015: Nil), which are pledged by bank deposits of the Company with interests paid quarterly.

(e) Guaranteed and mortgaged borrowings

As at 31 December 2016, the guaranteed and mortgaged borrowings of the Group amounted to RMB4,562,040,000 (31 December 2015: RMB9,316,447,000). Of which, RMB1,460,400,000 (31 December 2015: RMB3,936,400,000) were guaranteed by the Company and the mortgage of certain land use rights and buildings in properties under development of the Group (Note 4(7)); RMB1,341,640,000 (31 December 2015: RMB3,403,047,000) were guaranteed by the Company and the mortgage of certain land use rights in properties under development of the Group (Note 4(7)); RMB1,220,000,000 (31 December 2015: RMB1,220,000,000) were guaranteed by the Capital Group and the mortgage of certain land use rights in properties under development of the Group (Note 4(7)); RMB540,000,000 (31 December 2015: RMB440,000,000) were guaranteed by the Company and the mortgage of certain land use rights and buildings in investment properties of the Group (Note 4(12)).

Among the borrowings above, the interests of RMB3,973,040,000 were payable quarterly and of RMB589,000,000 were payable monthly. The principal of RMB2,006,640,000 should be repaid before 31 December 2017, and such amount was classified as long-term borrowings due within one year in financial statement.

(f) Guaranteed and pledged borrowings

As at 31 December 2016, the guaranteed and pledged borrowings of the Group amounted to RMB585,000,000 (31 December 2015: RMB1,115,000,000). Of which, RMB500,000,000 (31 December 2015: RMB1,000,000,000) were guaranteed by the Company and the pledge of equity interests in certain subsidiaries of the Group; RMB85,000,000(31 December 2015: RMB115,000,000) were guaranteed by the Company and secured by the pledge of gains from development project and project insurance.

Interests of the borrowings above were payable quarterly and the principal of RMB585,000,000 should be repaid before 31 December 2017, and such amount was classified as long-term borrowings due within one year in financial statement.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28) Long-term borrowings (Continued)

(g) Guaranteed, mortgaged and pledged borrowings

As at 31 December 2016, the guaranteed, mortgaged and pledged borrowings of the Group amounted to RMB300,000,000 (31 December 2015: RMB700,000,000), which were guaranteed by the Company and other third party, the mortgaged of certain land use rights in properties under development of the Group(Note 4(7)), the pledge of equity interests in certain subsidiaries of the Group. Interests of the borrowings were payable monthly.

(h) Borrowings from debt investment plan

As at 31 December 2016, the Group received RMB6,500,000,000 (31 December 2015: RMB6,500,000,000) through certain debt investment plan. The borrowings were guaranteed by Capital Group with interest payable quarterly. All the principal should be repaid by installments before October 2019. Of which, the principal of RMB2,500,000,000 should be repaid before 31 December 2017, such amount was classified as long-term borrowings due within one year in financial statement.

As at 31 December 2016, the weighted average interest rate of long-term borrowings is 6.70% (31 December 2015: 7.40%).

(29) Debentures payable

	31 December 2015	Issued in current year	Amortization at effective interest	Redemption in this year	31 December 2016	Including: interest accrued at book value in current year
Corporate bonds	7,956,770	9,962,723	16,696	–	17,936,189	610,781
Medium term notes	3,231,560	–	16,106	–	3,247,666	189,483
Other notes	1,292,919	–	2,600	–	1,295,519	68,250
Including: debentures payable due within one year	–	NA	NA	NA	(5,493,862)	NA
Net	12,481,249	NA	NA	NA	16,985,512	NA

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(29) Debentures payable *(Continued)*

Information about the debentures payable is as follow:

	Book value	Date of issuance	Duration	Issued amount
2 billion medium term note (i)	2,000,000	17/02/2014	3 years	1,965,029
250 million medium term note (i)	250,000	17/02/2014	5 years	245,627
1 billion medium term note (i)	1,000,000	04/04/2014	Matured on 17/02/2017	1,002,261
3 billion corporate bonds (ii)	3,000,000	27/05/2015	5 years	2,972,100
2.5 billion private corporate bonds (iii)	2,500,000	26/10/2015	3 years	2,490,600
2.5 billion private corporate bonds (iv)	2,500,000	09/12/2015	3 years	2,490,300
1.3 billion note (v)	1,300,000	30/07/2015	3 years	1,291,940
2.3 billion private corporate bonds (vi)	2,300,000	18/04/2016	5 years	2,291,650
700 million private corporate bonds (vi)	700,000	18/04/2016	3 years	697,460
2.3 billion private corporate bonds (vi)	2,300,000	01/06/2016	3 years	2,290,800
1.7 billion private corporate bonds (vi)	1,700,000	01/06/2016	5 years	1,693,200
2 billion private corporate bonds (vi)	2,000,000	19/07/2016	3 years	1,993,075
1 billion private corporate bonds (vi)	1,000,000	19/07/2016	5 years	996,538

- (i) As at 10 February 2014, the Board of Directors of the Company announced the establishment of medium-term notes and perpetual securities program. Under this program, Central Plaza Development Ltd. (hereinafter “Central Plaza”) can offer and issue securities to professional and institutional investors, with a principal limitation of no more than USD1 billion (or equivalent in other currency units). Securities will be issued on different release date and with different terms. International Financial Center Property Ltd. hereinafter “IFC”) and some of its subsidiaries provided guarantees and the Company entered into a Keepwell Deed for the medium-term notes. Pursuant to the Keepwell Deed, the Company will undertake to cause Central Plaza to remain solvent and going concern at all times, and guarantee both Central Plaza and IFC have sufficient liquidity to ensure timely repayment in respect of the bonds and the guarantee in accordance with the terms and conditions of the bonds and other obligations under the Keepwell Deed.

As at 17 February 2014, Central Plaza issued medium term notes amounted to RMB2,000,000,000 and received proceeds of RMB1,965,029,000 net of relevant issuance costs. The bond carries a fixed annual interest rate of 5.75% paid semiannually and with a maturity period of 3 years. The principal and the interests for the last period will be fully repaid on the maturity date. As this medium term notes will be matured on 17 February 2017, it is reclassified as non-current liabilities due within one year in financial statement.

As at 17 February 2014, Central Plaza issued medium term notes amounted to RMB250,000,000 and received proceeds of RMB245,627,000 net of relevant issuance costs. The bond carries a fixed annual interest rate of 6.875% paid semiannually and with a maturity period of 5 years. The principal and the interests for the last period will be fully repaid on the maturity date.

As at 4 April 2014, Central Plaza issued medium term notes amounted to RMB1,000,000,000 and received proceeds of RMB1,002,261,000 net of relevant issuance costs. The bond carries a fixed annual interest rate of 5.75% paid semiannually. The principal and the interests for the last period will be fully repaid on the maturity date. As the maturity date is 17 February 2017 and it is reclassified as non-current liabilities due within one year in financial statement.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(29) Debentures payable *(Continued)*

- (ii) As at 20 May 2015, the Company received “Approval to Beijing Capital Land Ltd. on public issuance of corporate bonds” (“Zhengjian [2015]896”) from China Securities Regulatory Commission to approve the Company’s request to issue domestic corporate bonds no more than RMB3 billion. As at 27 May 2015, the Company issued domestic corporate bonds of RMB3,000,000,000 and received proceeds of RMB2,972,100,000 net of relevant issuance costs. The bond carries a fixed annual interest rate of 4.58% with a maturity period of 5 years, and the interest will be paid every year. The principal and the interests for the last period will be fully repaid on the maturity date.
- (iii) As at 26 October 2015, The Company issued nonpublic corporate bonds of RMB2,500,000,000 and received proceeds of RMB2,490,600,000 net of relevant issuance costs. The bond carries issuing interest rate of 4.70% with a maturity period of 3 years, and the interest will be paid every year. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the second year. The principal and the interests for the last period will be fully repaid on the maturity date.
- (iv) As at 9 December 2015, the Company issued nonpublic corporate bonds of RMB2,500,000,000 and received proceeds of RMB2,490,300,000 net of relevant issuance costs. The bond carries a fixed annual interest rate of 4.78% with a maturity period of 3 years, and the interest will be paid every year. The principal and the interests for the last period will be fully repaid on the maturity date.
- (v) As at 30 July 2015, Rosy Capital Global Limited (hereinafter “Rosy Capital”), a subsidiary of Capital Juda, issued note amounted to RMB1,300,000,000 to the professional and institutional investors. Rosy Capital received proceeds of RMB1,291,940,000 net of relevant issuance cost. The notes carry a fixed annual interest rate of 5.25% paid semiannually and with a maturity period of 3 years. The principal and the interests for the last period will be fully repaid on the maturity date. Capital Juda provided unconditional and irrevocable guarantees and Capital Group entered into Keepwell Deed for the note. Pursuant to the Keepwell Deed and, Capital Group will guarantee Rosy Capital have sufficient liquidity to ensure timely repayment in respect of the note and the guarantee payable in accordance with the terms and conditions of the note and other obligations under the Keepwell Deed.
- (vi) As at 25 October 2015, according to approval of Shanghai Stock Exchange (SSE letters [2015]2599), the Company was approved to issued non-public corporate bonds no more than RMB10 billion to qualified investors in domestic China.

As at 18 April 2016, the Company issued private corporate bonds of RMB2,300,000,000 and received proceeds of RMB2,291,650,000 net of relevant issuance costs. The bond carries an issuing interest rate of 4.2% per annum and with a maturity period of 5 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the third year. The principal and the interests for the last period will be fully repaid on the maturity date.

As at 18 April 2016, the Company issued private corporate bonds of RMB700,000,000 and received proceeds of RMB697,460,000 net of relevant issuance costs. The bond carries an issuing interest rate of 4% per annum and with a maturity period of 3 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the second year. The principal and the interests for the last period will be fully repaid on the maturity date.

As at 1 June 2016, The Company issued private corporate bonds of RMB2,300,000,000 and received proceeds of RMB2,290,800,000 net of relevant issuance costs. The bond carries an issuing interest rate of 4.1% per annum and with a maturity period of 3 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the second year. The principal and the interests for the last period will be fully repaid on the maturity date.

As at 1 June 2016, The Company issued private corporate bonds of RMB1,700,000,000 and received proceeds of RMB1,693,200,000 net of relevant issuance costs. The bond carries an issuing interest rate of 4.26% per annum and with a maturity period of 5 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the third year. The principal and the interests for the last period will be fully repaid on the maturity date.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(29) Debentures payable *(Continued)*

(vi) *(Continued)*

As at 19 July 2016, The Company issued private corporate bonds of RMB2,000,000,000 and received proceeds of RMB1,993,075,000 net of relevant issuance costs. The bond carries an issuing interest rate of 3.71% per annum and with a maturity period of 3 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the second year. The principal and the interests for the last period will be fully repaid on the maturity date.

As at 19 July 2016, The Company issued private corporate bonds of RMB1,000,000,000 and received proceeds of RMB966,538,000 net of relevant issuance costs. The bond carries an issuing interest rate of 3.84% per annum and with a maturity period of 5 years. The issuer is entitled to adjust the coupon rate and the investors to sell back the bonds at the end of the third year. The principal and the interests for the last period will be fully repaid on the maturity date.

(30) Long-term payables

	31 December 2016	31 December 2015
UBS SDIC Capital Management Co., Ltd. ("UBS SDIC") (a)	3,100,000	4,200,000
Pingan Trust Co. Ltd. ("Pingan Trust") (b)	2,400,000	2,400,000
Others	6,675	8,075
Less: Long-term payable due within one year	(1,700,000)	(1,100,000)
Net	3,806,675	5,508,075

(a) As at 31 December 2016, this amount was the borrowing principal due to UBS SDIC of the Group. Among which, RMB2,800,000,000 (31 December 2015: RMB3,800,000,000) were guaranteed by the Company with an annual interest rate of 7.3%, and will be repaid before July 2018 by installments, in which, RMB1,400,000,000 should be repaid before July 2017, therefore it was classified as current portion of non-current liabilities in balance sheet; RMB300,000,000 (31 December 2015: RMB400,000,000) were guaranteed by the Company and secured by the mortgage of certain land use rights in properties under development of the Group (note 4(7)), with an annual interest rate of 9%, and should be repaid in May 2017, therefore it is classified as current portion of non-current liabilities in financial statement.

(b) As at 31 December 2016, this amount of RMB2,400,000,000 (31 December 2015: RMB2,400,000,000) were the principal due to Pingan Trust with a maturity period of 3 years and an annual interest rate of 7%. This amount were guaranteed by the Company and pledged by equity interests of certain subsidiary of the Group.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Derivative financial liabilities

	31 December 2016	31 December 2015
Derivative financial liabilities		
Forward exchange contracts		
– cash flow hedges	178,724	55,601

In order to avoid the exchange risk of AUD creditor's investments (Note 4(14)(a)) and some of the HKD borrowings, the Group has purchased foreign exchange contracts matched with the maturity date of the cash flow. As at 31 December 2016, the contracted value of the AUD and HKD forward contracts are AUD605,880,000 and HKD825,000,000 respectively (31 December 2015: AUD468,842,000 and nil).

(32) Share capital

	31 December 2015	Changes in current year					31 December 2016
		Issue of shares	Allotment	Transferred from reserve	Others	Subtotal	
Non-tradeable shares							
held by domestic legal entity	1,649,206	-	-	-	-	-	1,649,206
held by oversea legal entity	357,998	-	-	-	-	-	357,998
Tradeable shares – H share	1,020,756	-	-	-	-	-	1,020,756
Total	3,027,960	-	-	-	-	-	3,027,960

	31 December 2014	Changes in 2015					31 December 2015
		Issue of shares	Allotment	Transferred from reserve	Others	Subtotal	
Non-tradeable shares							
held by domestic legal entity	649,206	1,000,000	-	-	-	-	1,649,206
held by oversea legal entity	357,998	-	-	-	-	-	357,998
Tradeable shares – H share	1,020,756	-	-	-	-	-	1,020,756
Total	2,027,960	1,000,000	-	-	-	-	3,027,960

As at 11 November 2015, the Company completed non-public private placement to Capital Group and issued 1,000,000,000 ordinary shares with price of RMB3.08 per share. The Company received proceeds amounted to RMB3,067,898,000 net of the relevant issuance cost amounted to RMB12,102,000 on 22 October 2015. The amount has been verified by Russel Bedford Hua-Ander which issued the verification report with report number of HAD-CV15-1006. The Company recognized capital reserve amounted to RMB2,067,898,000 after the issuance.(Note 4(33))

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(33) Capital reserve

	31 December 2015 (restated)	Additions	Reductions	31 December 2016
Share premium (i) (Note 6(3))	3,516,644	–	(2,823,867)	692,777

	31 December 2014 (restated)	Additions	Reductions	31 December 2015 (restated)
Share premium (i) (Note 4(32))	1,187,097	2,619,898	(290,351)	3,516,644

- (i) The Group completed the transactions of purchasing equity interests of Liujin Real Estate and Donghuan Xinrong in September and November 2016 respectively, which were the business combinations involving enterprises under common control (note 5(1)). Share premium as at 31 December 2015 and 2014 was restated accordingly. Donghuan Xinrong was set up by Capital Group, the parent company of the Group. Liujin Real Estate was acquired by certain subsidiary of the Group and Beijing Capital Investment, the promoter of the Group from the third party in July 2014, and capital injected in 2015 by share portion. Due to the equity transactions and capital injection, the amount of RMB552,000,000 was recognized in the share premium as at 31 December 2015.

(34) Other comprehensive income

	Other comprehensive income in balance sheet			Other comprehensive income in income statement for the year ended 31 December 2016				
	31 December 2015	Attribute to interests of the Company after taxes	31 December 2016	Amount before taxes	Less: Transfer in profit or loss previously recognized in other comprehensive income	Less: Income taxes	Attribute to interests of the Company after taxes	Attribute to the non-controlling interests after taxes
Other comprehensive income cannot be reclassified into profit or loss thereafter:								
– Share of other comprehensive income in the investees cannot be reclassified into profit or loss at equity method	-	-	-	-	-	-	-	-
Other comprehensive income may be reclassified into profit or loss thereafter:								
– Share of other comprehensive income in the investees can be reclassified into profit or loss at equity method	-	31,984	31,984	42,645	-	(10,661)	31,984	-
– Changes in fair value of available-for-sale financial assets	8,087	(8,087)	-	-	(10,783)	2,696	(8,087)	-
– Changes in fair value of investments properties transferred from inventories(a)	566,688	(105,772)	460,916	5,914	(146,943)	35,257	(105,772)	-
– Changes in fair value of derivative financial liabilities	(28,181)	(95,187)	(123,368)	(153,188)	26,272	31,729	(95,187)	-
– Difference on translation of foreign currency financial statements	(9,053)	9,928	875	9,928	-	-	9,928	-
Total	537,541	(167,134)	370,407	(94,701)	(131,454)	59,021	(167,134)	-

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Other comprehensive income (Continued)

	Other comprehensive income in balance sheet			Other comprehensive income in income statement for the year ended 31 December 2015				
	31 December 2014	Attribute to interests of the Company after taxes	31 December 2015	Amount before taxes	Less: Transfer in profit or loss previously recognized in other comprehensive income	Less: Income taxes	Attribute to interests of the Company after taxes	Attribute to the non-controlling interests after taxes
Other comprehensive income cannot be reclassified into profit or loss thereafter:								
– Share of other comprehensive income in the investees cannot be reclassified into profit or loss at equity method	-	-	-	-	-	-	-	-
Other comprehensive income may be reclassified into profit or loss thereafter:								
– Share of other comprehensive income in the investees can be reclassified into profit or loss at equity method	-	-	-	-	-	-	-	-
– Changes in fair value of available-for-sale financial assets	5,819	2,268	8,087	3,024	-	(756)	2,268	-
– Changes in fair value of investments properties transferred from inventories	566,688	-	566,688	-	-	-	-	-
– Changes in fair value of derivative financial liabilities	(567)	(27,614)	(28,181)	(45,748)	8,930	9,204	(27,614)	-
– Difference on translation of foreign currency financial statements	9,194	(18,247)	(9,053)	(18,247)	-	-	(18,247)	-
Total	581,134	(43,593)	537,541	(60,971)	8,930	8,448	(43,593)	-

- (a) In 2016, the Group sold some of the properties in inventories, of which fair value gains previously recognized in other comprehensive income amounted to RMB110,207,000 (2015: Nil) was accordingly transferred into profit and loss in this year.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Surplus reserve

	31 December 2015	Additions	Other adjustment	Reductions	31 December 2016
Statutory surplus reserve (i)	495,150	43,363	4,656	–	543,169

	31 December 2014	Additions	Other adjustment	Reductions	31 December 2015
Statutory surplus reserve	360,628	134,522	–	–	495,150

In accordance with the PRC Company Law and the Company's Articles of Association and resolution of the board of directors, the Company should appropriate 10% of net profit of the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. The Company appropriate discretionary surplus reserve of RMB43,363,000 in 2016 (2015: RMB134,522,000).

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. The Company did not appropriate discretionary surplus reserve for 2016 and 2015.

- (i) In March 2016, the Company loses the control over Shangbodi, a subsidiary of the Company, and Shangbodi became the joint venture of the Company (Note 5(3)(a)). The Company changes the accounting methods of the long-term equity investment on Shangbodi from cost method to equity method accordingly, recognizing investment income based on the share portion from the net profit of the investee in the previous years by the equity method, and appropriated the surplus reserve amounted to RMB4,656,000 as a result.

(36) Retained earnings

	2016	2015
Dividends proposed but not paid by the end of the year	605,592	605,592
Dividends proposed during the year	605,592	506,990

In accordance with the resolution at the General Meeting of Shareholders held on 31 March 2015, the Company declared a cash dividend of RMB0.25 per share to the shareholders for the year 2014, which amounted to RMB596,990,000 based on the Company's total number of issued shares of 2,027,960,000.

In accordance with the resolution at the General Meeting of Shareholders held on 29 April 2016, the Company declared a cash dividend of RMB0.20 per share to the shareholders for the year 2015, which amounted to RMB605,592,000 based on the Company's total number of issued shares of 3,027,960,000.

On the Board meeting held on 20 February 2017, the directors proposed a final dividend of RMB0.20 per share to the shareholder, the total amount payable will be RMB605,592,000 based on the Company's total issued number of shares which is 3,027,960,000. Such distribution of profit scheme will be proposed as resolution at the Annual General Meeting of shareholders to be held on 20 April 2017.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(37) Revenue and cost of sales

	2016	2015 (restated)
Revenue from main operations (a)	20,191,574	15,827,449
Revenue from other operations (b)	157,830	167,321
Total	20,349,404	15,994,770

	2016	2015 (restated)
Cost of sales from main operations (a)	16,832,414	13,073,054
Cost of sales from other operations (b)	31,451	7,111
Total	16,863,865	13,080,165

(a) Revenue and cost of sales from main operations

	2016		2015 (restated)	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Sales of properties	19,598,659	16,579,917	15,421,910	12,937,735
Consulting services	26,169	–	25,904	–
Primary land development	264,369	242,535	52,634	45,039
Rental revenue of investment properties	302,377	9,962	238,449	14,658
Hotel operations	–	–	88,552	75,622
Total	20,191,574	16,832,414	15,827,449	13,073,054

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Revenue and cost of sales (Continued)

(b) Revenue and cost of sales from other operations

	2016		2015 (restated)	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Sales of investment properties	–	–	24,000	1,958
Temporarily rental income	113,360	204	127,846	499
Other operations	44,470	31,247	15,475	4,654
Total	157,830	31,451	167,321	7,111

(38) Taxes and surcharges

	2016	2015 (restated)	Standards
Business tax	697,189	830,548	Note 3
Land appreciation tax	532,580	172,196	Note 3
Others	203,845	118,920	
Total	1,433,614	1,121,664	

(39) Financial income — net

	2016	2015 (restated)
Interest expense	3,515,807	3,576,156
Including: Bank borrowings	1,615,995	2,471,009
Corporate bonds	903,916	497,857
Other liabilities	995,896	607,290
Less: cost of capitalized interest	(2,602,630)	(3,062,710)
Interest expense — net	913,177	513,446
Interest income	(1,006,815)	(545,319)
Exchange gain or loss — net	(8,854)	(44,030)
Others	44,125	23,888
Net	(58,367)	(52,015)

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Financial income — net (Continued)

Interest expenses analyzed by the maturity between bank and other borrowings are as follows:

	2016		2015 (restated)	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within 5 years	1,458,850	1,899,812	2,317,433	1,105,147
Not wholly repayable within 5 years	157,145	—	153,576	—
Total	1,615,995	1,899,812	2,471,009	1,105,147

(40) Expense by nature

Cost of sales, selling and distribution expenses and general and administrative expenses in the income statement classified by nature are as follows:

	2016	2015 (restated)
Costs of properties sold	16,370,342	12,827,121
Costs of primary land development	242,535	38,429
Wages, social security and welfare (i)	439,655	360,329
Administrative office expenses	125,952	91,864
Tax expenses	—	33,750
Depreciation and amortization	53,316	66,171
Travel and entertainment expenses	19,062	26,377
Professional service fee	74,637	86,845
Audit fee	12,561	10,772
Audit related or non-audit services expenses	5,747	2,732
Marketing and commission fee	515,400	526,389
Cost of sales in hotel services	—	60,202
Cost of operation of investment properties	5,434	7,262
Others	82,845	51,260
Total	17,947,486	14,189,503

(i) Including the basic social pension insurance for the year ended 31 December 2016 amounted to RMB32,923,000 (2015: RMB17,934,000).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(41) Gains arising from changes in fair value

	2016	2015 (restated)
Investment properties measured at fair value model (Note 4(12))	1,538,414	1,586,417
Financial assets at fair value through profit or loss (Note 4(2))	(11,125)	65,403
Derivative financial instrument (i)	(9,089)	(17,838)
Realized fair value gain in properties sold	(33,075)	–
Total	1,485,125	1,633,982

(i) The derivative financial instrument is the exchange forward contract accounted by cash flow hedging (Note 4(31)), for the year ended 31 December 2016, the ineffective portion recognized in the profit or loss that arise from cash flow hedges amounts to a gain of RMB146,000 (2015: loss of RMB2,530,000).

(42) Investment income

	2016	2015 (restated)
Share of net profit or loss of investees under equity method (Note 4(11))	582,988	182,356
Gains from disposal of subsidiaries (Note 5(3))	84,801	1,318,284
Gains from deemed disposal in the business combination (Note 5(2))	11,302	–
Gains from disposal of joint venture (Note 6(2)(a)(ix))	617,485	–
Gains from disposal of available-for-sale financial assets	14,452	–
Dividend income from available-for-sale financial assets	1,845	2,390
Others	4,766	3,714
Total	1,317,639	1,506,744

(43) Asset impairment losses

	2016	2015
Provision for impairment of inventories (Note 4(7))	772	130,091

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(44) Non-operating income

	2016	2015 (restated)
Excess of the fair value of the equity interests of joint venture acquired over the total consideration	–	73,756
Gains on disposal of non-current assets	163	285
Including: gains on disposal of fixed assets	163	285
Government grants	53,347	245,235
Non-payable default fine (Note 4(45))	70,084	–
Others	7,504	6,987
Total	131,098	326,263

(45) Non-operating expenses

	2016	2015 (restated)
Losses on disposal of non-current assets	58	113
Including: losses on disposal of fixed assets	58	113
Default fine (i)	–	33,303
Donation expense	858	358
Delaying payment fine	3,373	29,391
Others	2,700	533
Total	6,989	63,698

- (i) In 2015, the default fine for the provision of a subsidiary of the Group was recognized since the ownership certificates of the sold properties cannot be applied in time according to the pre-sale contracts. In 2016, the subsidiary has managed to obtain ownership certificates of certain properties and reversed the provision amounted to RMB70,084,000 based on the latest estimate of the default fine.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(46) Income tax expenses

PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable PRC income tax rate is 25% (2015: 25%).

According to the current tax law in Hong Kong, profit tax in Hong Kong is calculated by 16.5% of taxable profit. Except for several subsidiaries in Hong Kong are subject to Hong Kong profits tax, other subsidiaries in Hong Kong have no Hong Kong taxable profits.

Withholding income tax should be charged against income from taxable dividends and equity transfer of non-resident enterprises in mainland China and investments disposal in mainland China with the tax rate of 5%–10% according to the relevant laws and regulations in the PRC.

The amount of taxation charged to the consolidated income statement represents:

	2016	2015 (restated)
Current income tax based on tax law and related regulations	509,367	729,229
Deferred income tax	565,107	292,789
Total	1,074,474	1,022,018

Reconciliations from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses are listed below:

	2016	2015 (restated)
Total profit	3,952,772	4,008,818
Income tax expenses calculated at applicable tax rates (25%)	988,193	1,002,205
Impact of withholding income tax rate	10,050	21,235
Tax differences of investees at different rate	(962)	(8,858)
Share of net profit of joint ventures and associates under equity method	(145,747)	(45,589)
Other profit not subject to tax	(143,328)	(183,467)
Profit from internal equity transfer transaction subject to tax	188,073	–
Distribution eligible for tax deduction (i)	(8,894)	(10,643)
Utilisation of deductible temporary differences which no deferred income tax asset was recognized in previous years	(22,851)	(57,099)
Deductible losses for which no deferred income tax asset was recognized	201,792	157,864
Impairment provision for which no deferred income tax asset was recognized	193	26,457
Expenses, costs and losses not deductible for tax purposes	7,955	29,790
Pay back tax of previous year	–	90,123
Income tax expenses	1,074,474	1,022,018

(i) Such amount represents tax deductible expenses of equity instrument issued by certain companies.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(47) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to interests of the Company by the weighted average number of ordinary shares issued during the period:

	2016	2015 (restated)
Consolidated net profit attributable to interests of the Company	2,031,862	2,079,382
Weighted average number of ordinary shares issued (thousands)	3,027,960	2,194,627
Basic earnings per share (RMB yuan per share)	0.67	0.95
Including:		
– Basic earnings per share relating to continuing operations (RMB yuan per share)	0.67	0.95

- (b) Diluted earnings per share is calculated by dividing the consolidated net profit attributable to interests of the Company by the adjusted weighted average number of ordinary shares issued during the period based on the dilutive potential common shares adjustment. Diluted earnings per share are equal to the basic earnings per share since the Company has no dilutive potential common shares during the year in 2016 and 2015.

(48) Notes to the cash flow statements

(a) Cash received relating to other operating activities

	2016	2015 (restated)
Proceeds from business operations	1,008,355	470,731
Interest income from bank	246,261	214,850
Government grants	53,347	245,235
Total	1,307,963	930,816

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(48) Notes to the cash flow statements *(Continued)*

(b) Cash paid relating to other operating activities

	2016	2015 (restated)
Land deposits	755,610	-
Sales and market expense	231,505	264,517
Sales commission and agency fee	376,840	268,123
General administrative expense	246,176	217,212
Default fine and delaying payment fine	3,373	28,691
Cash paid to business operations	249,695	100,814
Commission fee and others	57,138	25,227
Total	1,920,337	904,584

(c) Cash received relating to other investing activities

	2016	2015 (restated)
Recovered receivables and interests from primary land development	2,377	513,545
Recollected principals and interests from creditors' investments	464,562	-
Recollected principals and interests from related parties	1,545,597	318,124
Others	4,298	30,638
Total	2,016,834	862,307

(d) Cash paid relating to other investing activities

	2016	2015 (restated)
Cash paid for primary land development	888,482	2,857,988
Cash paid for creditors' investments	847,501	1,279,769
Cash paid to related parties	1,406,046	1,409,199
Total	3,142,029	5,546,956

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(48) Notes to the cash flow statements *(Continued)*

(e) Cash received relating to other financing activities

	2016	2015 (restated)
Borrowings from related parties	3,196,009	1,386,689
Proceeds of other long-term borrowings by subsidiaries (note 4(30))	–	6,608,075
Total	3,196,009	7,994,764

(f) Cash paid relating to other financing activities

	2016	2015 (restated)
Proceeds repaid to borrowings from transferring creditor's rights by subsidiaries	1,100,000	650,000
Proceeds paid for borrowings from related parties	1,407,580	1,118,302
Cost of equity transaction with non-controlling interests	–	31,662
Others	1,400	–
Total	2,508,980	1,799,964

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(49) Supplemental information of cash flow statement

Reconciliation from net profit to cash flows from operating activities

	2016	2015 (restated)
Net profit	2,878,298	2,986,800
Add: Provisions for asset impairment (note 4(43))	772	130,091
Depreciation of fixed assets (note 4(13))	19,300	33,197
Amortization of intangible assets	-	1,046
Amortization of long-term prepaid expenses	34,016	31,928
Gains on disposal of fixed assets, intangible assets and other long-term assets	(105)	(172)
Gains on disposal of investment properties	-	(22,042)
Interest expenses	143,769	137,608
Gains on change in fair value	(1,518,200)	(1,633,982)
Investment income (note 4(42))	(1,317,639)	(1,506,744)
Difference between investment cost and fair value of the acquired equity interest on joint venture	-	(73,756)
Increase in deferred income tax assets	(178,692)	(170,393)
Increase in deferred income tax liabilities	617,740	458,233
Increase in inventories	(3,983,031)	(12,169,149)
Decrease/(increase) in restricted cash	545,179	(501,018)
(Increase)/decrease in operating receivables	(1,191,389)	17,532
Increase in operating payables	2,982,179	3,305,409
Net cash flows from operating activities	(967,803)	(8,975,412)

In 2016 and 2015, there were no significant investing and financing activities not relating to cash receiptment and disbursement.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(49) Supplemental information of cash flow statement *(Continued)*

(a) Change of cash and cash equivalent

	2016	2015 (restated)
Cash at the end of year	16,558,427	18,204,114
Less: cash at the beginning of year	(18,204,114)	(11,656,227)
Net (decrease)/increase for the year	(1,645,687)	6,547,887

(b) Dispose or obtain subsidiaries

Cash flow information of disposal or acquisition of subsidiaries by the Group in 2016 is disclosed in note 5.

(c) Cash and cash equivalent

	31 December 2016	31 December 2015 (restated)
Cash	17,925,747	20,102,982
Including: Cash on hand	868	3,639
Deposits that can be drawn on demand	16,557,559	18,200,475
Less: restricted cash at bank	(1,367,320)	(1,898,868)
Cash and cash equivalent at year end	16,558,427	18,204,114

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

5. CHANGES OF CONSOLIDATION SCOPE

(1) Business combinations under common control

(a) Business combinations under common control in this year

Acquiree	Equity ratio acquired		The criteria	Combination date	The basis for combination date	Revenue from	Net profit from	Revenue in	Net profit in	Operating cash	Net cash
						1 January 2016	1 January 2016			flow from	flow from
						to combination date	to combination date	2015	2015	to combination date	to combination date
Liujin Real Estate (i)	60%		Under common control before and after the transaction	September 2016	Competition in industrial registration	247,761	80,182	52,634	13,120	(981,831)	(384,716)
Donghuan Xinrong and its subsidiaries (ii)	100%		Under common control before and after the transaction	December 2016	Competition in industrial registration	94,897	74,722	108,541	94,416	87,881	(5,862)

- (i) The Group originally held 40% equity interests of Liujin Real Estate. In June 2016, the Group entered into an equity transfer contract with Beijing Capital Investment to acquire the other 60% equity interests of Liujin Real Estate. The transaction was completed in September 2016. As the Group and Beijing Capital Investment are subsidiaries of Capital Group, this transaction was a business combination involving enterprises under common control.
- (ii) In June 2016, the Group entered into an equity transfer contract with Capital Group, the parent company of the Group, to acquire the 100% equity interests of Donghuan Xinrong and its subsidiaries. The transaction was completed in December 2016 and was a business combination under common control.

(b) Combination cost and book value of net assets acquired

	Liujin Real Estate	Donghuan Xinrong and its subsidiaries
Combination costs		
Consideration paid in cash	2,149,702	1,567,242
Less: cash for repay debt of acquiree	(967,702)	(269,412)
Consideration for equity interests	1,182,000	1,297,830
Initial costs of 40% equity interests in Liujin Real Estate originally held by the Group	688,000	–
Total costs	1,870,000	1,297,830
Less: book value of the identifiable net assets acquired	(1,806,565)	(1,064,065)
Capital reserve written down	63,435	233,765

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

5. CHANGES OF CONSOLIDATION SCOPE *(Continued)*

(1) Business combinations under common control *(Continued)*

(c) Book value of assets and liabilities of the acquiree at combination date are as follows:

(i) *Liuji Real Estate*

	Combination date Book value	31 December 2015 Book value
Cash at bank and on hand	1,877,000	2,261,716
Other receivables	368,811	368,288
Inventories	282,621	49,766
Long-term receivables	3,300,556	2,379,676
Fixed assets	497	656
Less: Borrowings	3,033,813	2,344,192
Other payables	827,817	968,284
Advances from customers	106,723	–
Taxes payables	28,532	7,870
Employee benefit payables	181	5,594
Deferred income tax liabilities	22,051	4,456
Interests payable	3,803	3,323
Net assets	1,806,565	1,726,383
Less: Non-controlling interests	–	–
Net assets acquired	1,806,565	1,726,383

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

5. CHANGES OF CONSOLIDATION SCOPE *(Continued)*

(1) Business combinations under common control *(Continued)*

(c) Book value of assets and liabilities of the acquiree at combination date are as follows: *(Continued)*

(ii) Donghuan Xinrong and its subsidiaries

	Combination date Book value	31 December 2015 Book value
Cash at bank and on hand	87,418	93,280
Receivables	6,705	6,788
Inventories	297	205
Investment properties	1,634,000	1,572,000
Fixed assets	166	882
Long-term prepaid expenses	136	7
Less: Borrowings	–	60,000
Payables	321,226	298,574
Employee benefit payables	622	450
Taxes payables	4,410	10,862
Deferred income tax liabilities	324,870	309,370
Advances from customers	13,529	4,563
Net assets	1,064,065	989,343
Less: Non-controlling interest	–	–
Net assets acquired	1,064,065	989,343

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

5. CHANGES OF CONSOLIDATION SCOPE (Continued)

(2) Business combinations not under common control

(a) Business combinations not under common control in this year

Acquiree	Acquisition date	Acquisition cost	Equity ratio acquired	Acquisition method	Combination date	The basis for combination date	Revenue from combination date to end of the year	Profit from combination date to end of the year	Operating cash flow from combination date to end of the year	Net cash flow from combination date to end of the year
Zhuhai Hengqin Eco Village Fund and its subsidiary Shouyong Real Estate (Note 6(2)(a)(ii))	December 2016	-	97.83%	Withdrawal of other fund partner	December 2016	Withdrawal of other fund partner	-	-	-	-

(b) Combination cost and goodwill recognized

	Zhuhai Hengqin Eco Village Fund and its subsidiary
Combination costs	
Consideration paid in cash	-
Fair value of the equity interests originally held	237,751
Total combination costs	237,751
Less: Fair value of the identifiable net assets acquired	(237,751)
Goodwill	-
Fair value of the equity interests originally held	237,751
Less: Book value of equity interests originally held (note 4(11))	(226,449)
Gains from deemed disposal (note 4(42))	11,302

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

5. CHANGES OF CONSOLIDATION SCOPE *(Continued)*

(2) Business combinations not under common control *(Continued)*

(c) Assets and liabilities of acquiree at combination date are as follows:

(i) Zhuhai Hengqin Eco Village Fund and its subsidiary Shouyong Real Estate

	Combination date Fair value	Combination date Book value	31 December 2015
Cash at bank and on hand	29,622	29,622	64,046
Advances to suppliers	93,271	93,271	101,466
Other receivables	122,015	122,015	157,509
Inventories	874,417	859,348	1,289,863
Other current assets	2,176	2,176	–
Fixed assets	143	143	84
Deferred income tax assets	7,103	7,103	–
Less: Trade payables	203,323	203,323	212,819
Advances from customers	381,411	381,411	549,528
Notes payable	4,559	4,559	48,725
Interests payable	–	–	35,500
Employee benefit payables	–	–	437
Taxes payable	12,872	12,872	19,278
Current portion of non-current liabilities	–	–	99,000
Other payables	285,064	285,064	339,318
Deferred income tax liabilities	3,767	–	–
Net assets acquired by the Group	237,751	226,449	308,363
Consideration paid in cash	–	–	–
Less: Cash balance of the acquiree	(29,622)	–	–
Net cash received in acquisition	(29,622)	–	–

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

5. CHANGES OF CONSOLIDATION SCOPE (Continued)

(2) Business combinations not under common control (Continued)

(c) Assets and liabilities of acquiree at combination date are as follows (Continued):

(i) Zhuhai Hengqin Eco Village Fund and its subsidiary Shouyong Real Estate (Continued)

The Group adopts valuation techniques to determine the fair value of the assets and liabilities of Zhuhai Hengqin Eco Village Fund and its subsidiaries at combination date. Valuation methods of main assets and critical assumptions are as follows:

The valuation method of inventory is residual approach, the valuation equals to the gross development value at completion by deducting the development costs to complete, tax and estimated profit margin, etc. The key assumptions are as follow:

Properties with contracted sales amounts are taking reference to contract price; the unsold properties are evaluated by market comparison approach taking reference to expected sales price.

The revenue, net profit and cash flow of Zhuhai Hengqin Eco Village Fund and its subsidiaries for the period from combination date to 31 December 2016 are as follows:

	Amount
Revenue	-
Net profit	-
Net cash inflow from operating activities	-
Net cash inflow	-

(3) Disposal of subsidiaries

(a) The information of disposal of subsidiaries in current year is as follow:

Name	Proceeds from disposal	Equity ratio disposed	Disposal method	Date of loss of control	Basis for date of loss of control	Difference between proceeds and net asset of the subsidiaries held by the Group on consolidated balance sheet	Other comprehensive income related to equity investment of the subsidiary transferred into investment income
Shangbodi(i)	-	0%	Amending the articles of association	March 2016	Completion of amending the article of association of the company	84,801	-

- (i) The Company originally held 51% equity interests of Shangbodi. In March 2016, the Company entered into an agreement with Beijing Huitian Weiye Investment Management Co., Ltd. ("Huitian Weiye") stating that the decisions about relevant activities in the company require unanimous consent of all parties. After the completion of amending the articles of association, the Group has no control over Shangbodi and it is classified as a joint venture of the Group.

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

5. CHANGES OF CONSOLIDATION SCOPE (Continued)

(3) Disposal of subsidiaries (Continued)

(b) Profit and loss from disposal and relevant cash flow are as follows:

(i) Shangbodi

Profit and loss are calculated as follow:

	Amount
Fair value of 51% equity interests of Shangbodi at disposal date	161,493
Less: book value of 51% net assets at disposal date	(76,692)
Investment income from disposal	84,801

Proceeds from disposal and cash flow are as follow:

Proceeds from disposal	-
Cash received from disposal	-
Less: cash hold by Shangbodi	(26,965)
Net cash paid for disposal	(26,965)

(4) Changes of consolidation scope due to other reasons

In June 2016, the Group entered into an agreement with the third party to purchase 51% equity interests of Shanghai Yujing, which held a wholly-owned subsidiary Shanghai Xuanxi. In this year, Shanghai Xuanxi obtained a core land plot located in West community, Zhoupu town, Pudong New District of Shanghai. Besides holding this undeveloped land, the company has no other operational business. The Group treated this deal as the purchase of assets, and recognized non-controlling interests amounted to RMB980,000,000 in the consolidated balance sheets.

In 2016, the Group paid in capital to Wuhan Outlets together with Wuhan Aoshan Commercial Management Co., Ltd. and recognized non-controlling interests amounted to RMB2,080,000.

In June 2016, the Group set up Youda Real Estate together with Beijing XCapital Construction Investment Fund (Limited Partnership)(hereinafter "XCapital Fund") by capital injection and recognized non-controlling interests amounted to RMB27,000,000.

In March 2016, the Group set up the subsidiary, Xian Shouju by capital injection.

In March 2016, the Group set up the subsidiary, Juyuan Xincheng Investment by capital injection.

In March 2016, the Group set up the subsidiary, Shanghai Shoujing by capital injection.

In April 2016, the Group set up the subsidiary, Juyuan Xincheng Commercial by capital injection.

In May 2016, the Group set up the subsidiary, Zhengzhou Juxin by capital injection.

In May 2016, the Group set up the subsidiary, Yongyuanxing by capital injection.

In August 2016, the Group set up the subsidiary, Jinan Shouju by capital injection.

In September 2016, the Group set up the subsidiary, Hefei Chuangju by capital injection.

In May 2016, Nanchang Shouxin cancelled registration after the approval of State Administration for Industry and Commerce of the PRC.

In October 2016, Xinyuan Chengye cancelled registration after the approval of State Administration for Industry and Commerce of the PRC.

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES

(1) Equity interests in subsidiaries

(a) Component of the Group

(a1) Subsidiaries incorporated by promoters at establishment of the Company

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2016	31 December 2015	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Beijing Rongjin Real Estate Development Co., Ltd. ("Rongjin Company")	Beijing	Beijing	Property development and sales	USD6,360,000	USD6,360,000	10	49.5	10	49.5	10	49.5	10	49.5
Beijing Sunshine Jindu Properties Co., Ltd. ("Jindu Company")	Beijing	Beijing	Property development and sales	RMB370,000,000	RMB370,000,000	100	-	100	-	100	-	100	-
Central Plaza (I)	Hong Kong	B.V.I	Investment Management	USD1	USD1	100	-	100	-	100	-	100	-
IFC	Hong Kong	B.V.I	Investment Management	USD1	USD1	100	-	100	-	100	-	100	-

(i) As at 31 December 2016, Central Plaza, a subsidiary of the Group, has issued mid-term notes amounted to RMB3,250,000,000 (As at 31 December 2015: RMB3,250,000,000) (note 4(29)).

(a2) Subsidiaries obtained from business combinations

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2016	31 December 2015	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
S.C. Real Estate Development Co., Ltd. ("S.C.")	Beijing	Beijing	Property development and sales	RMB640,000,000	RMB640,000,000	100	-	100	-	100	-	100	-
Beijing HYHL Real Estate Development Co., Ltd.	Beijing	Beijing	Property development and sales	USD10,000,000	USD10,000,000	-	100	-	100	-	100	-	100
Beijing Anhua Shiji Real Estate Development Co., Ltd. ("Anhua Shiji")	Beijing	Beijing	Property development and sales	USD30,000,000	USD30,000,000	55	45	55	45	60	40	60	40
Tianjin Banshan Renjia Real Estate Co., Ltd.	Tianjin	Tianjin	Property development and sales	USD74,000,000	USD74,000,000	-	100	-	100	-	100	-	100

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Group (Continued)

(a2) Subsidiaries obtained from business combinations (Continued)

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2016	31 December 2015	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Beijing Sunshine City Real Estate Development Co., Ltd. ("Sunshine City")	Beijing, the PRC	Beijing, the PRC	Property development and sales	USD20,000,000	USD20,000,000	50	50	50	50	60	40	60	40
Chongqing Capital Xinshi Real Estate Development Co., Ltd.	Chongqing	Chongqing	Property development and sales	USD95,000,000	USD95,000,000	-	100	-	100	-	100	-	100
Beijing Xinbocheng Real Estate Development Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Property development and sales	RMB89,000,000	RMB89,000,000	-	100	-	100	-	100	-	100
Qingdao Yangguang Binhai Properties Co., Ltd.	Qingdao	Qingdao	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Qingdao Qianqianshu Investment Properties Co., Ltd.	Qingdao	Qingdao	Property development and sales	RMB20,000,000	RMB20,000,000	-	100	-	100	-	100	-	100
Yantai Yangguang Lidu Real Estate Development Co., Ltd.	Yantai	Yantai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Yantai Yangguang Lizhen Real Estate Development Co., Ltd.	Yantai	Yantai	Property development and sales	RMB75,000,000	RMB75,000,000	-	100	-	100	-	100	-	100
Yantai Yangguang Xinye Real Estate Development Co., Ltd.	Yantai	Yantai	Property development and sales	RMB75,000,000	RMB75,000,000	-	100	-	100	-	100	-	100
Zhejiang Huisheng Real Estate Co., Ltd.	Huzhou	Huzhou	Property development and sales	USD20,000,000	USD20,000,000	-	100	-	100	-	100	-	100
Zhejiang Outlets Property Real Estate Co., Ltd. ("Zhejiang Outlets") (note 6(3)(ii))	Huzhou	Huzhou	Property development and operation	USD40,000,000	USD40,000,000	-	72.9	-	100	-	72.9	-	100
Tianjin Eco City Jiaming Ronghe Development Co., Ltd. ("Tianjin Jiaming")	Tianjin	Tianjin	Property development and sales	RMB60,000,000	RMB60,000,000	100	-	100	-	100	-	100	-
Capital Juda (note 6(3)(ii))	Hong Kong	Cayman Islands	Investment holding	HKD7,815,385	HKD2,000,000	-	72.9	-	65.1	-	72.9	-	65.1
Xi'an Capital Xinkai Real Estate Co., Ltd. (note 6(3)(ii))	Xian	Xian	Property development and sales	USD165,000,000	USD165,000,000	-	72.9	-	65.1	-	72.9	-	65.1

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Group (Continued)

(a2) Subsidiaries obtained from business combinations (Continued)

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2016	31 December 2015	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Huzhou Capital Rongcheng Real Estate Co., Ltd.	Huzhou	Huzhou	Property development and sales	RMB60,000,000	RMB60,000,000	-	55	-	55	-	55	-	55
Beijing Xingtai Jicheng Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB45,000,000	RMB45,000,000	-	100	-	100	-	100	-	100
Beijing Yongyuan Jintai Investment Management Co., Ltd. ("Yongyuan Jintai")	Beijing	Beijing	Investment Management	RMB5,000,000	RMB5,000,000	100	-	100	-	100	-	100	-
Liujin Real Estate (Note 5(1))	Beijing	Beijing	Property development and sales	RMB1,720,000,000	RMB1,720,000,000	-	100	-	100	-	100	-	100
Donghuan Xinrong (Note 5(1))	Beijing	Beijing	Property leasing	RMB10,000,000	RMB10,000,000	100	-	100	-	100	-	100	-
Zhuhai Hengjin Eco Village Fund (Note 5(2))	Zhuhai	Zhuhai	Investment Management	RMB249,000,000	N/A	-	97.83	N/A	N/A	-	40	N/A	N/A
Shouyong Real Estate (Note 5(2))	Chongqing	Chongqing	Property development and sales	RMB80,000,000	N/A	-	97.83	N/A	N/A	-	100	N/A	N/A

(a3) Subsidiaries obtained through incorporation or by other means

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2016	31 December 2015	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Beijing Capital Xinzi Real Estate Ltd. ("Beijing Xinzi")	Beijing	Beijing	Property development and sales	RMB496,590,000	RMB496,590,000	100	-	100	-	100	-	100	-
Beijing Shangboya Investment Consultant Co., Ltd. ("Shangboya")	Beijing	Beijing	Investment Management	RMB30,000,000	RMB30,000,000	100	-	100	-	100	-	100	-
Shangbodi (Note 5(3))	Beijing	Beijing	Commercial rent, property management	N/A	RMB30,000,000	N/A	N/A	51	-	N/A	N/A	51	-
Tianjin Xinchuang Real Estate Ltd.	Tianjin	Tianjin	Property development and sales	USD25,000,000	USD25,000,000	-	100	-	100	-	100	-	100

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Group (Continued)

(a3) Subsidiaries obtained through incorporation or by other means (Continued)

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2016	31 December 2015	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Chengdu Capital Xinzi Real Estate Development Ltd	Chengdu	Chengdu	Property development and sales	USD30,000,000	USD30,000,000	-	100	-	100	-	100	-	100
Jiangsu Capital Real Estate Development Ltd. ("Jiangsu Capital")	Wuxi	Wuxi	Property development and sales	USD12,500,000	USD12,500,000	60	40	60	40	60	40	60	40
Beijing Capital Land Chengdu Co., Ltd. ("Capital Chengdu")	Chengdu	Chengdu	Property development and sales	RMB150,000,000	RMB150,000,000	100	-	100	-	100	-	100	-
Chengdu Capital Yidu Real Estate Development Co., Ltd. ("Chengdu Yidu")	Chengdu	Chengdu	Property development and sales	USD100,000,000	USD100,000,000	-	55	-	55	-	60	-	60
Tianjin Capital Xinyuan Real Estate Development Co., Ltd. ("Tianjin Xinyuan")	Tianjin	Tianjin	Property development and sales	USD95,000,000	USD95,000,000	-	55	-	55	-	60	-	60
Tianjin Capital Xingang Real Estate Development Co., Ltd. ("Tianjin Xingang")	Tianjin	Tianjin	Property development and sales	USD95,000,000	USD95,000,000	-	55	-	55	-	60	-	60
Wuxi Capital Xindong Real Estate Development Co., Ltd. ("Wuxi Xindong")	Wuxi	Wuxi	Property development and sales	RMB100,000,000	RMB100,000,000	100	-	100	-	100	-	100	-
Beijing Chuangxin Jianye Real Estate Investment Ltd. ("Chuangxin Jianye") (Note 6(3)(ii))	Beijing	Beijing	Investment Management	RMB50,000,000	RMB50,000,000	-	72.9	100	-	-	72.9	100	-
Jingjin Tongcheng (Tianjin) Investment Co., Ltd.	Tianjin	Tianjin	Property development	RMB250,000,000	RMB250,000,000	-	90	-	90	-	90	-	90
Beijing Capital Outlets Property Investment Fang Shan Ltd. (Note 6(3)(ii))	Beijing	Beijing	Property development, sales and operation	USD127,000,000	USD127,000,000	-	72.9	-	100	-	72.9	-	100
Beijing Capital Zhongbei Real Estate Development Co., Ltd.	Beijing	Beijing	Property development and sales	RMB100,000,000	RMB100,000,000	-	100	-	100	-	100	-	100
BECL Investment Holding Ltd. ("BECL")	Hong Kong	Hong Kong	Investment Management	USD9,900,000	USD9,900,000	100	-	100	-	100	-	100	-
Beijing Anshunyu Real Estate Development Co., Ltd.	Beijing	Beijing	Property development and sales	RMB50,000,000	RMB50,000,000	-	95	-	95	-	95	-	95

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Group (Continued)

(a3) Subsidiaries obtained through incorporation or by other means (Continued)

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2016	31 December 2015	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Zhenjiang Xianji Real Estate Development Co., Ltd.	Zhenjiang	Zhenjiang	Property development and sales	USD40,000,000	USD40,000,000	-	100	-	100	-	100	-	100
Zhejiang Shouxin Real Estate Development Co., Ltd.	Huzhou	Huzhou	Property development and sales	USD24,500,000	USD24,500,000	-	100	-	100	-	100	-	100
Zhejiang Hualong Real Estate Development Co., Ltd.	Huzhou	Huzhou	Property development and sales	USD67,000,000	USD67,000,000	-	100	-	100	-	100	-	100
Beijing Ruiyuanfengji Real Estate Development Co., Ltd. ("Ruiyuanfengji")	Beijing	Beijing	Property development	RMB10,000,000	RMB10,000,000	100	-	100	-	100	-	100	-
Capital Tianshun Infrastructure Investment Co., Ltd.	Beijing	Beijing	Property development	RMB100,000,000	RMB100,000,000	-	100	-	100	-	100	-	100
Hainan Outlets Real Estate Development Co., Ltd.	Wanning	Wanning	Property development	USD14,000,000	USD14,000,000	-	55	-	55	-	55	-	55
Jiangyin Yuyue Real Estate Development Co., Ltd.	Jiangyin	Jiangyin	Property development and sales	USD49,000,000	USD49,000,000	-	100	-	100	-	100	-	100
Qingdao Xinli Weiye Real Estate Development Co., Ltd.	Qingdao	Qingdao	Property development and sales	RMB90,000,000	RMB90,000,000	-	100	-	100	-	100	-	100
Capital Guoxin Asset Management Co., Ltd. ("Capital Guoxin")	Beijing	Beijing	Assets management	RMB100,000,000	RMB100,000,000	100	-	100	-	100	-	100	-
Hainan Outlets Tourism Development Co., Ltd.	Wanning	Wanning	Development construction and property management	USD9,000,000	USD9,000,000	-	55	-	55	-	55	-	55
Capital Outlets (Kunshan) Real Estate Development Co., Ltd.	Kunshan	Kunshan	Property development and sales	RMB300,000,000	RMB300,000,000	-	100	-	100	-	100	-	100
Shenyang Capital Xinyun Real Estate Co., Ltd.	Shenyang	Shenyang	Property development and sales	RMB20,000,000	RMB20,000,000	-	100	-	100	-	100	-	100
SAS Datang Weiye Holdings	France	France	Real estate business	EUR25,000,000	EUR25,000,000	-	100	-	100	-	100	-	100
Hainan Capital Outlets Real Estate Co., Ltd.	Wanning	Wanning	Property development and sales	RMB20,000,000	RMB20,000,000	-	100	-	100	-	100	-	100

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(1) Equity interests in subsidiaries *(Continued)*

(a) Component of the Group *(Continued)*

(a3) Subsidiaries obtained through incorporation or by other means *(Continued)*

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
						31 December 2016		31 December 2015		31 December 2016		31 December 2015	
				31 December 2016	31 December 2015	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Beijing Jinrui Wealth Investment Management Co., Ltd.	Beijing	Beijing	Investment Management	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Capital Dongxing (Kunshan) Real Estate Development Co., Ltd.	Kunshan	Kunshan	Property development and sales	RMB300,000,000	RMB300,000,000	-	100	-	100	-	100	-	100
Tianjin Tongcheng Real Estate Co., Ltd.	Tianjin	Tianjin	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Beijing Zhongzhi Dingfu Real Estate Co., Ltd. ("Beijing Zhongzhidingfu")	Beijing	Beijing	Investment Management	RMB100,000,000	RMB100,000,000	100	-	100	-	100	-	100	-
Beijing Tiancheng Yongyuan Investment Management Co., Ltd. ("Tiancheng Yongyuan")	Beijing	Beijing	Property development and sales	RMB1,997,109,000	RMB1,997,109,000	-	50	-	50	-	60	-	60
Tianjin Xingtai Jixin Real Estate Co., Ltd.	Tianjin	Tianjin	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Qingdao Guoxin Yicheng Investment Co., Ltd.	Qingdao	Qingdao	Investment Management	RMB10,000,000	RMB10,000,000	-	100	-	100	-	100	-	100
Beijing Chuangrui Xiangan Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB60,000,000	RMB60,000,000	-	100	-	100	-	100	-	100
Shanghai Songchaung Real Estate Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Beijing Yikaiyou Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB20,000,000	RMB20,000,000	-	100	-	100	-	100	-	100
Shanghai Capital Zhengheng Real Estate Co., Ltd. ("Shanghai Zhengheng")	Shanghai	Shanghai	Property development	RMB10,000,000	RMB10,000,000	100	-	100	-	100	-	100	-
Beijing Gujiamao Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100
Tianjin Xingtai Jihong Real Estate Co., Ltd.	Tianjin	Tianjin	Property development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100
Beijing Lianchuang Shengye Real Estate Development Co., Ltd.	Beijing	Beijing	Property development and sales	RMB10,000,000	RMB10,000,000	-	100	-	100	-	100	-	100

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(1) Equity interests in subsidiaries (Continued)

(a) Component of the Group (Continued)

(a3) Subsidiaries obtained through incorporation or by other means (Continued)

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2016	31 December 2015	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
						Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Chengdu Capital Zhenghua Real Estate Co., Ltd.	Chengdu	Chengdu	Property development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100
Beijing Chuangrui Hua'an Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100
Beijing Xujia Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Tianjing Xingtai Jisheng Real Estate Co., Ltd.	Tianjin	Tianjin	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Tianjing Hongtai Weiye Real Estate Co., Ltd.	Tianjin	Tianjin	Property development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100
Shanghai Shouqing Real Estate Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Shanghai Shoupu Real Estate Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Beijing Tianzhiyin Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Beijing Jinyifeng Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Beijing Baochitong Real Estate Co., Ltd.	Beijing	Beijing	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Shanghai Shouhu Investment Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Shanghai Shouyang Investment Co., Ltd.	Shanghai	Shanghai	Property development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
Hangzhou Capital Outlets Real Estate Co., Ltd. (Note 6(3)(ii))	Hangzhou	Hangzhou	Property development and management	RMB335,000,000	RMB335,000,000	-	72.9	-	65.1	-	72.9	-	65.1
Jiangxi Capital Outlets Real Estate Co., Ltd. ("Jiangxi Outlets")(i) (Note 6(3)(iii))	Nanchang	Nanchang	Property development and sales	RMB459,000,000	RMB313,500,000	-	72.9	-	65.1	-	72.9	-	65.1

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(1) Equity interests in subsidiaries *(Continued)*

(a) Component of the Group *(Continued)*

(a3) Subsidiaries obtained through incorporation or by other means *(Continued)*

Name	Place of main operation	Place of registration	Nature of business	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2016		31 December 2015		31 December 2016		31 December 2015			
				31 December 2016	31 December 2015	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)		
Nanchang Shouxin (i)	Nanchang	Nanchang	Property development and sales	N/A	RMB145,500,000	N/A	N/A	-	65.1	N/A	N/A	-	65.1
Wuhan Capital Juda Outlet Commercial Management Co., Ltd. (Note 6(3)(iii))	Wuhan	Wuhan	Property development and management	RMB208,000,000	RMB208,000,000	-	72.2	-	64.4	-	72.2	-	64.4
Xian Shouju (Note 6(3)(ii))	Xian	Xian	Property development and management	RMB335,000,000	N/A	-	72.9	N/A	N/A	-	72.9	N/A	N/A
Zhengzhou Juxin (Note 6(3)(ii))	Zhengzhou	Zhengzhou	Property development and management	RMB200,000,000	N/A	-	72.9	N/A	N/A	-	72.9	N/A	N/A
Juyuan Xincheng Investment	Tianjin	Tianjin	Management and consulting	RMB500,000,000	N/A	100	-	N/A	N/A	100	-	N/A	N/A
Juyuan Xincheng Commercial	Tianjin	Tianjin	Wholesale	RMB500,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
Yongyuanxing	Beijing	Beijing	Property development and sales	RMB30,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
Shanghai Yujing (Note 5(4))	Shanghai	Shanghai	Property development and sales	RMB2,000,000,000	N/A	-	51	N/A	N/A	-	51	N/A	N/A
Shanghai Xuanxi (Note 5(4))	Shanghai	Shanghai	Property development and sales	RMB2,000,000,000	N/A	-	51	N/A	N/A	-	51	N/A	N/A
Youda Real Estate (Note 5(4))	Beijing	Beijing	Property development and sales	RMB90,000,000	N/A	-	70	N/A	N/A	-	70	N/A	N/A
Shanghai Shoujing (Note 5(4))	Shanghai	Shanghai	Property development and sales	RMB50,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
Jinan Shouju (Note 6(3)(ii))	Jinan	Jinan	Property development and management	RMB210,000,000	N/A	-	72.9	N/A	N/A	-	72.9	N/A	N/A
Hefei Chuangju (Note 6(3)(ii))	Hefei	Hefei	Property development and management	RMB800,000,000	N/A	-	72.9	N/A	N/A	-	72.9	N/A	N/A

(i) In 2016, the registered capital in Jiangxi Outlets increased by absorption merging its subsidiary Nanchang Shouxin. Upon the completion of the merger, Nanchang Shouxin cancelled registration after the approval of State Administration for Industry and Commerce of the PRC.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(1) Equity interests in subsidiaries *(Continued)*

(b) Subsidiaries with significant non-controlling interests

(b1) Non-controlling interests from common equity interests

Name	Equity interests portion held by non-controlling interests (%)	Profit/(loss) attributable to non-controlling interests in 2016	Dividends distributed to non-controlling interests in 2016	Non-controlling interests as at 31 December 2016
Tianjin Xinyuan	45	(62,754)	–	273,241
Tianjin Xingang	45	(2,218)	–	187,712
Chengdu Yidu	45	(6,816)	–	408,076
Tiancheng Yongyuan	50	318,782	–	1,596,571
Shanghai Yujing (note 5(4))	49	(3,318)	–	976,682
Total		243,676	–	3,442,282

The financial information of partly-owned subsidiaries above are as follows:

	Financial information as at 31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Tianjin Xinyuan	891,969	56	892,025	284,823	–	284,823
Tianjin Xingang	1,075,950	36	1,075,986	658,848	–	658,848
Chengdu Yidu	1,079,416	19,631	1,099,047	192,211	–	192,211
Tiancheng Yongyuan	684,405	4,412,611	5,097,016	800,387	1,103,487	1,903,874
Shanghai Yujing	5,461,345	2,257	5,463,602	3,470,374	–	3,470,374

	Financial information as at 31 December 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Tianjin Xinyuan	963,195	166	963,361	216,707	–	216,707
Tianjin Xingang	1,401,118	90	1,401,208	979,141	–	979,141
Chengdu Yidu	1,278,238	14,599	1,292,837	370,854	–	370,854
Tiancheng Yongyuan	206,818	3,110,473	3,317,291	71,873	689,840	761,713

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(1) Equity interests in subsidiaries *(Continued)*

(b) Subsidiaries with significant non-controlling interests *(Continued)*

(b1) Non-controlling interests from common equity interests *(Continued)*

The financial information of partly-owned subsidiaries are as follows:

	Financial information for the year ended 31 December 2016			
	Revenue	Net (loss)/profit	Total comprehensive (loss)/profit	Cash flows from operating activities
Tianjin Xinyuan	82,280	(139,453)	(139,453)	82,398
Tianjin Xingang	211,764	(4,928)	(4,928)	(400,656)
Chengdu Yidu	84,042	(15,147)	(15,147)	(20,115)
Tiancheng Yongyuan	–	637,563	637,563	(161,516)
Shanghai Yujing	–	(6,772)	(6,772)	(1,992,088)

	Financial information for the year ended 31 December 2015			
	Revenue	Net profit/(loss)	Total comprehensive profit/(loss)	Cash flows from operating activities
Tianjin Xinyuan	97,943	3,799	3,799	13,348
Tianjin Xingang	758,561	(40,813)	(40,813)	(135,525)
Chengdu Yidu	197,359	(43,698)	(43,698)	(47,132)
Tiancheng Yongyuan	–	567,788	567,788	(300,056)

(b2) Equity instruments issued by subsidiaries of the Group

	Profit attributed to non-controlling interests in 2016	Dividends distributed in 2016	Non-controlling interests as at 31 December 2016
Senior perpetual securities issued by subsidiary (i)	442,821	438,645	4,962,843
Minsheng Jiayin Assets Management Plan (ii)	–	10,810	–
Tiandi Fangzhong Assets Management Plan (iii)	68,880	76,161	537,600
Perpetual convertible bond securities issued by subsidiary (Note 6(3)(ii))	–	–	945,197
Total	511,701	525,616	6,445,640

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(1) Equity interests in subsidiaries *(Continued)*

(b) Subsidiaries with significant non-controlling interests *(Continued)*

(b2) Equity instruments issued by subsidiaries of the Group *(Continued)*

- (i) As of 31 December 2016, Central Plaza issued Senior Perpetual Securities amounted to USD850,000,000. The securities were guaranteed by certain subsidiaries of the Group including IFC. Pursuant to the terms of Perpetual Securities, the Group has no contractual obligation to repay its principal or to pay any distribution. The Perpetual Securities do not meet the definition of financial liabilities and are classified as equity instruments by the Group. Subsequent distribution declared will be treated as dividend to non-controlling shareholders.

As the issuer, Central Plaza may elect to defer distribution without any frequency limitations only if Central Plaza and the Company do not declare or pay dividends. Including:

In April 2013, Central Plaza issued Senior Perpetual Securities amounted to USD400,000,000, equivalent to RMB2,506,000,000, at a distribution rate of 8.375% per annum. And non-controlling interests amounted to RMB2,333,945,000 was recognized after deducting the relevant costs and inevitable dividend payable in the foreseeable future.

In November 2014, Central Plaza issued Senior Perpetual Securities amounted to USD450,000,000, equivalent to RMB2,759,625,000, at a distribution rate of 7.125% per annum under the Medium Term Note and Perpetual Securities Program. After deducting relevant issuance costs, the Group received RMB2,728,222,000 and recognized non-controlling interests amounted to RMB2,628,898,000 net of the inevitable dividend payable in the foreseeable future.

- (ii) In previous year, Minsheng Jiayin Royal Asset Management Co., Ltd (hereinafter “Minsheng Jiayin”) established Specific Asset Management Plans and raised a total amount of RMB1,730,000,000 cumulatively. According to the terms of Investment Agreements, the raised funds are subject to no fixed repayment terms. Unless the company or its assigned subsidiary declares dividend, the Group may elect to defer the distribution without any frequency limitations. According to the terms of Investment Agreement, the Group has no contracted obligation to pay the principal or interests to other investors under the Specific Assets Management Plans, therefore the investment from the specific asset management plan complied with the definition of equity instrument and were recognized as non-controlling interest in the consolidated level. The dividends declared will be treated as profit distribution to non-controlling shareholders. Including:

In December 2014, Minsheng Jiayin Chengdu Project raised a total amount of RMB650,000,000. According to the terms of Investment Agreement, non-controlling interests amounted to RMB580,125,000 was recognized after deducting the inevitable dividend payable in the foreseeable future. As at 25 June 2016, the Group has repaid the principal of this Specific Assets Management Plan and recognized a decrease in capital reserve amounted to RMB69,875,000 accordingly.

In January 2015, Minsheng Jiayin Tianjin Project raised a total amount of RMB1,080,000,000. According to the terms of Investment Agreement, non-controlling interests amounted to RMB963,900,000 was recognized after deducting the inevitable dividend payable in the foreseeable future. As at 28 July 2016, the Group has repaid the principal and a decrease in capital reserve amounted to RMB116,100,000 was recognized accordingly.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(1) Equity interests in subsidiaries *(Continued)*

(b) Subsidiaries with significant non-controlling interests *(Continued)*

(b2) Equity instruments issued by subsidiaries of the Group (Continued)

- (iii) In January 2015, Tiandi Fangzhong established Fangshan Specific Asset Management Plans and raised a total amount of RMB1,200,000,000. According to the terms of Investment Agreement, the raised funds are subject to no fixed repayment terms. Unless the company or its assigned subsidiary declares dividend, the Group may elect to defer the distribution without any frequency limitations. The Group has no contracted obligation to pay the principal or interests to other investors under the Specific Asset Management Plans, therefore the investment from the specific asset management plan complied with the definition of equity instrument and were recognized as non-controlling interest in the consolidated level. The dividends declared will be treated as profit distribution to non-controlling shareholders. Non-controlling interests amounted to RMB1,075,200,000 was recognized after deducting the inevitable dividend payable in the foreseeable future.

In July 2016, the Group issued a prepayment announcement to redeem 50% of the principal of the Specific Assets Management Plan in 2017. Since the Group had the inevitable payment obligation pursuant to the Investment Agreement, such amount did not meet the definition of equity instrument any longer and was reclassified as current portion of non-current liabilities(note 4(27)) after issue of prepayment announcement, and a decrease in capital reserve amounted to RMB62,400,000 was recognized accordingly. As at 31 December 2016, the remaining non-controlling interests recognized amounted to RMB537,600,000 after deducting the amount reclassified to current portion of non-current liabilities.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(2) Equity interests in joint ventures and associates

(a) Basic information of significant joint ventures and associates

	Business type	Place of main operation	Place of registration	Legal representative	Nature of business	Strategic to the Group's operation	Registered capital	31 December 2016			
								Shared interest		Voting right	
								Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Joint ventures-											
Shenyang Jitian	Limited Company	Shenyang	Shenyang	Hu Weimin	Property development and sales	Yes	USD40,000,000	-	50	-	50
Capital Jiaming (i)	Limited Company	Beijing	Beijing	Hu Weimin	Land Primary Development and Sales	Yes	RMB175,000,000	-	35	-	35
Zhuhai Hengqin Eco Village Fund (ii)	Limited Partnership	Zhuhai	Zhuhai	N/A	Investment Management	N/A	N/A	N/A	N/A	N/A	N/A
Zhuhai Hengqin Zizhufang Fund (iii)	Limited Partnership	Zhuhai	Zhuhai	N/A	Investment Management	N/A	N/A	N/A	N/A	N/A	N/A
Zhuhai Hengqin Ruiyuan Jialing Fund (iv)	Limited Partnership	Zhuhai	Zhuhai	N/A	Investment Management	Yes	RMB22,000,000	-	40	-	40
Zhuhai Hengqin Chengdu Weihua Fund (v)	Limited Partnership	Zhuhai	Zhuhai	N/A	Investment Management	Yes	RMB15,000,000	-	40	-	40
Shanghai Shoujia (vii)	Limited Company	Shanghai	Shanghai	Hu Weimin	Property development and sales	Yes	RMB100,000,000	-	60	-	60
Capital Qinglv (viii)	Limited Company	Kunshan	Kunshan	Hu Weimin	Property development and sales	Yes	RMB300,000,000	-	51	-	57.14
Tiancheng Yongtai (ix)	Limited Company	Beijing	Beijing	Hu Weimin	Property development and sales	N/A	N/A	N/A	N/A	N/A	N/A
Tianjin Lianjin (x)	Limited Company	Tianjin	Tianjin	Mao Tie	Property development and sales	Yes	RMB125,000,000	-	25	-	25
Shanghai Zhiyue (xi)	Limited Company	Shanghai	Shanghai	Wu weimin	Property development and sales	Yes	RMB500,000,000	-	50	-	50
Associates-											
Yangguangyuan	Limited Company	Beijing	Beijing	Yang Ning	Properties development and management	No	RMB72,190,000	35	-	35	-
Shenyang Xinzi	Limited Company	Shenyang	Shenyang	Cao Yue	Property development and sales	Yes	USD92,500,000	-	30	-	30
Tianjin Xinqing	Limited Company	Tianjin	Tianjin	Qin Yi	Property development and sales	Yes	USD95,000,000	-	40	-	40
Tianjin Xinming	Limited Company	Tianjin	Tianjin	Wang Wei	Property development and sales	Yes	USD95,000,000	-	40	-	40
Zhongguancun Integrated Circus Garden (vi)	Limited Company	Beijing	Beijing	Miao Jun	Property development and sales	Yes	RMB1,000,000,000	-	50	-	40

Investments in above equity are accounted for using the equity method.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(2) Equity interests in joint ventures and associates *(Continued)*

(a) Basic information of significant joint ventures and associates *(Continued)*

- (i) In May 2013, the Group acquired 35% equity interests in Shouchuang Jiaming by capital injection. According to the Articles of Association of Shouchuang Jiaming, decisions about the relevant activities of Shouchuang Jiaming require the unanimous consent of the Group and other shareholders sharing control therefore it is recognized as a joint venture.

As of 31 December 2016, the Group has possessed 4 real estate Funds accumulately. All these funds are limited partnerships established by Zhuhai Hengqin Fund Management Company as the general partner. These Funds are structured entities not included in consolidation and mainly engage in property investment, which derive their revenue from interest income, profits of the real estate development projects and proceeds from disposal of equity interests.

According to the partnership agreement, the distribution order at the clearing day and the settlement day of the fund is as follows: senior limited partners can get expected annual earnings, and intermediate limited partners can get expected fixed earnings, which is about 10%. The senior limited partners enjoy distributing initial investment and expected earnings firstly, followed by distributing initial investment and expected earnings to intermediate limited partners, then to the subordinated limited partners, and lastly to the general partners. If there is excess distributable earnings after the above distributions, the fund should distribute the income to the partners based on the agreed portion of the partnership agreement.

- (ii) Zhuhai Hengqin Eco Village Fund is limited partnership established by Zhuhai Hengqin Fund Management Company as the general partner in 2013. The Group originally held 28.24% of the intermediate units in Zhuhai Hengqin Eco Village Fund, which holds 100% equity interests in Shouyong Real Estate. The Fund has raised a total scale of 850,000,000 shares amounted to RMB850,000,000 and was originally recognized as a joint venture of the Group. In July 2015, based on Shouyong Real Estate's financial condition, the Fund paid the capital and fixed earnings to senior limited partners. In 2016, the Fund paid capital to the subordinated limited partners and cleared excess distributable earnings of senior and subordinated limited partners. After the clearing, the Fund and its subsidiaries become the subsidiaries of the Group and the Group treats this transaction as a business combination not under common control (note 5(2)).
- (iii) Zhuhai Hengqin Zizhufang Fund is a Limited partnership set up by Zhuhai Hengqin Fund Management Company as the general partner in 2014. The Group originally held 10% of the intermediate units in Zhuhai Hengqin Zizhufang Fund, which holds 100% equity interests in Beijing Taihao Shengyuan Real Estate Co., Ltd. (hereinafter "Taihao Shengyuan"). The Fund has raised a total scale of 810,000,000 shares amounted to RMB810,000,000. In December 2015, based on Taihao Shengyuan's financial condition, Zhuhai Hengqin Zizhufang Fund paid the investment capital and fix earnings to senior limited partners. In 2016, the Fund paid the investment capital to subordinated limited partners, the investment capital and fixed earnings of the intermediate limited partner to the Group, and cleared excess distributable earnings of senior and subordinated limited partners. After the clearing, the Fund and its subsidiary became the subsidiaries of the Group. As Taihao Shengyuan only holds few residual buildings to sale and have no other real business, the Group treated this deal as the purchase of asset.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(2) Equity interests in joint ventures and associates *(Continued)*

(a) Basic information of significant joint ventures and associates *(Continued)*

- (iv) Zhuhai Hengqin Ruiyuan Jialing Fund is limited partnership established by Zhuhai Hengqin Fund Management Company as the general partner in 2014, and the Group subscribe 20.73% of the intermediate units in Zhuhai Hengqin Ruiyuan Jialing Fund, which holds 100% equity interests in Chongqing Shouhui Real Estate Co., Ltd. (hereinafter "Shouhui Real Estate"). The fund has a total scale of 2,200,000,000 shares amounted to RMB2,200,000,000. In 2016, according to Shouhui Real Estate's financial condition, the Fund settled the investment capital and distributable earnings of senior and intermediate limited partners, and paid the capital to senior limited partners with fixed earnings. The Group reclassified its uncleared capital investment and earnings as the intermediate partner to other receivables. However, according to the partnership agreement, all partners still have the right to share extraneous earnings of the Fund, therefore the fund is still recognized as a joint venture.
- (v) Zhuhai Hengqin Chengdu Weihua Fund is limited partnership established by Zhuhai Hengqin Fund Management Company as the general partner in 2015, and the Group subscribes 22.52% of the intermediate units in the Fund, which holds 100% equity interests in Chengdu Capital Jinhui Real Estate Co., Ltd. (hereinafter "Chengdu Jinhui"). The fund has a total scale of 1,200,000,000 shares amounted to RMB1,200,000,000. In 2016, the Fund paid the capital and fixed earnings to senior limited partners and the Group, as the intermediate partners, and the capital to subordinate limited partners. The Group reclassified the uncollected excess earnings to other receivables. However, according to the partnership agreement, partners still have the right to share extraneous earnings of the Fund, therefore the fund is still recognized as a joint venture.
- (vi) The Group holds 50% equity interests in Zhongguancun Integrated Circuit Garden. According to the Articles of Association of Zhongguancun Integrated Circuit Garden, the Group controls the company jointly with other shareholders, therefore it is classified as a joint venture. In 2016, the Group and other shareholders increase the capital by the proportion of shareholding, and the capital injection by the Group amounted to RMB100,000,000. After capital injection, the registered capital of Zhongguancun Integrated Circuit Garden reached RMB220,000,000 and the actual contribution by the Group amounted to RMB110,000,000.

In December 2016, the Group signed a concerted action agreement with other shareholders, stating that the decision of Zhongguancun Integrated Circuit Garden need the unanimous consent, otherwise, the Group need to follow the other shareholders' decision. According to the concerted action agreement, the Group have significant influence on Zhongguancun Integrated Circuit Garden and it is recognized as an associate.
- (vii) The Group held 60% equity interests of Shanghai Shoujia. According to the articles of association of Shanghai Shoujia, the significant operation policies require unanimous consent and Shanghai Shoujia is recognized as a joint venture of the Group.
- (viii) The Group hold 51% share of Capital Qinglv. In 2015, the Group entered into an agreement with other shareholders of Shouchuang Qinglv to control the company jointly. After amending the articles of association, Capital Qinglv is recognized as a joint venture of the Group.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(2) Equity interests in joint ventures and associates (Continued)

(a) Basic information of significant joint ventures and associates (Continued)

- (ix) The Group previously held 50% equity interests of Tiancheng Yongtai, which was recognized as a joint venture of the Group as at 31 December 2015. In December 2016, the Group entered into an agreement with the other shareholder to rearrange the way of profit distribution and collaboration on Tiancheng Yongtai project. According to the agreement, the Group still holds the right to earnings and the residual properties but will no longer have voting rights on operation activities and therefore have no joint control or significant influence on Tiancheng Yongtai, resulting in derecognition of long-term equity investment held. The Group classified the remaining interests to available-for-sale financial assets, investment income amounted to RMB617,485,000 was recognized from the difference between the fair value of available-for-sale financial assets and the book value of long-term equity investment.
- (x) In 2016, the Group set up Tianjin Lianjin together with other shareholders and the Group holds 25% equity interests of the company. According to the article of association, the Group and other shareholders share the control over Tianjin Lianjin jointly, therefore it is recognized as a joint venture.
- (xi) In 2016, the Group set up Shanghai Zhiyue together with other shareholders and the Group holds 50% equity interests of the company. According to the article of association, the Group and other shareholders share the control over Shanghai Zhiyue jointly, therefore it is recognized as a joint venture.

(b) Key financial information of significant joint ventures

	Shenyang Jitian		Shouchuang Jiaming		Zhuhai Hengqin Eco Village		Zhuhai Hengqin Zizhufang Fund		Zhuhai Ruiyuan Jialing Fund		Zhuhai Hengqin Weihua Fund		Zhongguancun Integrated Circuit Garden		Shanghai Shoujia		Capital Qingly	
	31	31	31	31	31	31	31	31	31	31	31	31	31	31	31	31	31	31
	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015
Current assets	1,507,635	1,563,826	1,833,404	1,678,249	N/A	1,612,884	N/A	2,665,626	3,572,723	3,319,096	2,933,777	2,384,157	N/A	2,311,340	2,273,188	2,187,621	739,359	940,449
Including: cash and cash equivalent	9,238	16,606	30,739	31,601	N/A	64,046	N/A	128,606	160,485	247,561	762,677	151,202	N/A	65,037	327,687	122,275	10,621	85,434
Non-current assets	32,501	19,047	6,827	6,161	N/A	84	N/A	5	121	50,115	290	953	N/A	621	1,026	1,977	-	45
Total assets	1,540,136	1,582,873	1,840,231	1,684,410	N/A	1,612,968	N/A	2,665,631	3,572,844	3,369,211	2,934,067	2,385,110	N/A	2,311,961	2,274,214	2,189,598	739,359	940,494
Current liabilities	1,324,176	1,350,615	225,464	199,523	N/A	1,612,968	N/A	2,665,631	1,372,844	2,369,211	1,153,567	1,385,110	N/A	266,854	963,047	1,284,148	267,335	496,999
Non-current liabilities	-	-	1,135,248	1,003,364	N/A	-	N/A	-	2,200,000	1,000,000	1,780,500	1,000,000	N/A	1,876,637	650,000	810,000	-	-
Total liabilities	1,324,176	1,350,615	1,360,712	1,202,887	N/A	1,612,968	N/A	2,665,631	3,572,844	3,369,211	2,934,067	2,385,110	N/A	2,143,491	1,613,047	2,094,148	267,335	496,999
Attributable to share holders of the Company	50%	50%	35%	35%	N/A	88.92%	N/A	82.65%	40%	26.66%	40%	22.68%	N/A	50%	60%	60%	51%	51%
Net assets calculated by the percentage of shares holding (i)	107,980	116,129	167,832	168,534	N/A	267,616	N/A	96,061	956	483,200	1,458	269,150	N/A	84,235	396,700	57,270	240,732	226,182
Reconciliation items																		
- Unrealized profit from intra-group transaction	(1,826)	(1,710)	(1,662)	(1,662)	N/A	(819)	N/A	(2,173)	(956)	(226)	(1,458)	-	-	-	-	-	-	-
Book value of investment in joint ventures	106,154	114,419	166,170	166,872	N/A	266,797	N/A	93,888	-	482,974	-	269,150	N/A	84,235	396,700	57,270	240,732	226,182
Market value of joint ventures (Public)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(2) Equity interests in joint ventures and associates *(Continued)*

(b) Key financial information of significant joint ventures *(Continued)*

	Tiancheng Yongtai		Tianjin Lianjin		Shanghai Zhiyue	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Current assets	N/A	2,884,580	3,545,757	N/A	2,637,383	N/A
Including: cash and cash equivalent	N/A	6,305	719,009	N/A	139,641	N/A
Non-current assets	N/A	1,786,003	79	N/A	21	N/A
Total assets	N/A	4,670,583	3,545,836	N/A	2,637,404	N/A
Current liabilities	N/A	211,165	943,625	N/A	506,266	N/A
Non-current liabilities	N/A	1,058,407	2,488,612	N/A	1,633,000	N/A
Total liabilities	N/A	1,269,572	3,432,237	N/A	2,139,266	N/A
Attributable to share holders of the Company	N/A	50%	25%	N/A	50%	N/A
Net assets calculated by the percentage of shares holding (i)	N/A	1,700,505	28,400	N/A	249,069	N/A
Reconciliation items – Unrealized profit from intra-group transaction	N/A	–	–	N/A	–	N/A
Book value of investment in joint ventures	N/A	1,700,505	28,400	N/A	249,069	N/A
Market value of joint ventures (Public)	N/A	N/A	N/A	N/A	N/A	N/A

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(2) Equity interests in joint ventures and associates (Continued)

(b) Key financial information of significant joint ventures (Continued)

	Shenyang Jitian		Capital Jiaming		Zhuohai Hengqin Eco Village Fund		Zhuohai Hengqin Zizhufang Fund		Zhuohai Ruiyuan Jialing Fund		Zhuohai Hengqin Chengdu Weihua Fund	
	The period from 1 January 2016 to the transferring day	The period from 1 January 2016 to the combination day	The period from 1 January 2016 to the combination day	The period from 1 January 2016 to the combination day	The period from 1 January 2016 to the combination day	The period from 1 January 2016 to the combination day	The period from 1 January 2016 to the combination day	The period from 1 January 2016 to the combination day	The period from 1 January 2016 to the combination day	The period from 1 January 2016 to the combination day	The period from 1 January 2016 to the combination day	The period from 1 January 2016 to the combination day
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	79,978	130,424	-	-	634,803	898,033	1,566,126	-	509,989	-	-	-
Interest expenses	78	9	356	966	11,883	51,072	71,233	76,668	1,727	25,671	164,868	241
Income tax expenses	13,327	9,384	668	829	7,103	(17,000)	(8,148)	(400)	(10,558)	(4,613)	(4,327)	560
Net profit	(16,298)	(28,164)	(2,005)	(2,487)	(57,590)	50,988	1,719	63,004	10,898	13,843	135,677	(1,481)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	(16,298)	(28,164)	(2,005)	(2,487)	(57,590)	50,988	1,719	63,004	10,898	13,843	135,677	(1,481)
Dividends from joint ventures	-	-	-	-	-	-	-	-	-	-	-	-

	Zhongguancun Intergrated Circus Garden		Shanghai Shoujia		Capital Qinglv		Tiancheng Yongtai		Tianjin Lianjin		Shanghai Zhiyue	
	The period from 1 January 2016 to the transferring day	The period from disposal day to 31 December 2015	The period from disposal day to 31 December 2015	The period from disposal day to 31 December 2015	The period from disposal day to 31 December 2015	The period from disposal day to 31 December 2015	The period from 1 January 2016 to the disposal day	The period from disposal day to 31 December 2015	The period from disposal day to 31 December 2015	The period from disposal day to 31 December 2015	The period from disposal day to 31 December 2015	The period from disposal day to 31 December 2015
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	200	-	2,562,568	-	254,465	156,913	-	-	-	N/A	-	N/A
Interest expenses	1,083	163	6,332	76	474	321	114	-	757	N/A	127	N/A
Income tax expenses	(92,702)	293	(185,995)	1,931	(3,721)	(6,234)	(1,648)	-	-	N/A	3	N/A
Net profit	278,103	86	565,717	(5,608)	28,530	20,737	4,942	-	(11,399)	N/A	(1,862)	N/A
Other comprehensive income	-	-	-	-	-	-	-	-	-	N/A	-	N/A
Total comprehensive income	278,103	86	565,717	(5,608)	28,530	20,737	4,942	-	(11,399)	N/A	(1,862)	N/A
Dividends from joint ventures	-	-	-	-	-	17,340	-	-	-	N/A	-	N/A

- (i) The Group, based on the amount assigned to the Company in the consolidated financial statements of joint ventures, calculates asset proportion by its shareholding.

The amount in the consolidated financial statements of joint ventures has taken the influence of the fair value of identifiable asset and liability of the investee joint venture into consideration and the unified accounting policies.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(2) Equity interests in joint ventures and associates (Continued)

(c) Key financial information of significant associates

	Yangguanyuan		Shenyang Xinzi		Tianjin Xinqing		Tianjin Xinming		Zhongguancun Intergrated Circus Garden	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Current assets	295,421	378,650	1,324,169	1,358,156	667,887	673,053	730,859	764,908	1,648,194	N/A
Including: cash and cash equivalent	7,143	6,350	5,079	30,917	10,776	35,267	18,242	11,086	130,279	N/A
Non-current assets	1,022,720	990,960	20	28	2	1	18,515	4,706	1,496,771	N/A
Total assets	1,318,141	1,369,610	1,324,189	1,358,184	667,889	673,054	749,374	769,614	3,144,965	N/A
Current liabilities	50,861	114,236	422,664	232,501	3,773	8,627	133,076	111,889	161,963	N/A
Non-current liabilities	721,292	710,243	-	238,000	-	-	-	-	2,335,954	N/A
Total liabilities	772,153	824,479	422,664	470,501	3,773	8,627	133,076	111,889	2,497,917	N/A
Attributable to share holders of the Company	35%	35%	30%	30%	40%	40%	40%	40%	50%	N/A
Net assets calculated by the percentage of shares holding (i)	191,096	190,795	270,458	266,304	265,646	265,770	246,519	263,090	323,524	N/A
Reconciliation items										
– Unrealized profit from intra-group transaction	(555)	(555)	(3,249)	(3,105)	(521)	(509)	(2,779)	(2,779)	-	-
Book value of investment in joint ventures	190,541	190,240	267,209	263,199	265,125	265,261	243,740	260,311	323,524	N/A
Market value of associates (Public)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Yangguanyuan		Shenyang Xinzi		Tianjin Xinqing		Tianjin Xinming		Zhongguancun Intergrated Circus Garden	
	2016	2015	2016	2015	2016	2015	2016	2015	The period from the transferring day to 31 December 2016	2015
Revenue	24,467	48,953	96,468	61,945	-	21,322	4,416	104,729	-	N/A
Interest expenses	(28,443)	(36,588)	1	1,854	46	56	55	63	308	N/A
Income tax expenses	-	(34,770)	(4,614)	(3,452)	104	(472)	13,809	4,705	(158)	N/A
Net profit	861	87,609	13,843	10,358	(311)	1,415	(41,428)	(14,116)	475	N/A
Other comprehensive income	-	-	-	-	-	-	-	-	-	N/A
Total comprehensive income	861	87,609	13,843	10,358	(311)	1,415	(41,428)	(14,116)	475	N/A
Dividends from associates	-	-	-	-	-	-	-	-	-	N/A

(i) The Group, based on the amount assigned to the Company in the consolidated financial statements of associates, calculates asset share in proportion to the number of shares owned.

The amount in the consolidated financial statements of associates has taken the influence of the fair value of identifiable net asset and liability of the investee associates into consideration and the unified accounting policies.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(2) Equity interests in joint ventures and associates *(Continued)*

(d) Summary information of insignificant joint ventures and associates

	2016	2015
Joint ventures:		
Total book value of investment	532,794	357,374
Subtotals by the percentage of shareholding		
Profit for the year (i)	112,287	89,970
Other comprehensive income (i)	–	–
Total comprehensive income	112,287	89,970
Associates:		
Total book value of investment	68,271	22,176
Subtotals by the percentage of shareholding		
Loss for the year (i)	(25,889)	(16,786)
Other comprehensive income (i)	31,984	–
Total comprehensive income/(loss)	6,095	(16,786)

(i) The calculation of net profit and other comprehensive income has taken the market value of recognized assets and liabilities at acquisition date and its accounting policy adjustments into consideration.

(e) The financial guarantee related to joint ventures is disclosed in Note11.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(3) Transaction with non-controlling interests

(i) Specific Assets Management Plan

In June and July 2016, the Group repaid the principal of Minsheng Jiayin Specific Assets Management Plan of RMB650,000,000 and RMB1,080,000,000 respectively (Note 6(1)(b)).

In July 2016, the Group issued a prepayment announcement and planned to redeem 50% of the principal of Tiandi Fangzhong Specific Assets Management Plan in 2017 (Note 6(1)(b)).

(ii) The issuance of ordinary shares and equity instruments by Capital Juda

In June 2016, the Group entered into an equity transfer agreement to transfer 100% equity interests of Chuangxin Jianye and Zhejiang Outlets to Capital Juda. The consideration was raised by certain subsidiary of the Group subscribing 905,951,470 shares convertible preferred shares (the "CPS") issued by Capital Juda at the issue price of HKD2.78 per share. In December 2016, the prerequisite of the equity transfer agreement and the CPS subscription has been reached, and the Group completed this transaction.

In November 2016, Capital Juda entered into a subscription agreement with a fully-owned subsidiary of Sino-Ocean Group Holding Limited (hereinafter "Sino-Ocean") and KKR CG Judo Outlets (hereinafter "KKR") to issue 95,192,308 ordinary shares to Sino-Ocean and KKR respectively, at the issue price of HKD2.10 per share, and the transaction costs of the issuance was RMB8,465,000, resulting in recognizing non-controlling interests of RMB359,119,000.

Meanwhile, Capital Juda issued perpetual convertible bonds securities (the "PCBS") in the principal amounts of HKD657,594,260 to Sino-Ocean and in the principal amounts of HKD420,096,153 to KKR respectively. The Group has no contractual obligation to repay the principal or pay any assigned interests, and the instrument will or may not be settled in a variable number of equity instruments. Therefore, the PCBS does not comply the definition of financial liabilities. The principal deducted by issuance cost amounted to RMB945,197,000 was recognized as non-controlling interests in the consolidated financial statements. Subsequent distribution declared will be treated as dividend to non-controlling interests.

In December 2016, the Group exercised its conversion rights and converted an aggregate of 571,153,846 shares CPS in accordance with the terms and conditions of the relevant subscription agreement entered into with Capital Juda. After the completion of these transaction, the portion of ordinary share in Capital Juda held by the Group increased from 65.1% to 72.9%, and the portion of net assets in Capital Juda attributable to the Group decreased from 92.56% to 72.1%. The recalculated non-controlling interests increases by RMB64,378,000, writing down the capital reserve by RMB64,378,000 accordingly. In addition, the direct transaction costs related wrote down the capital reserve by RMB31,284,000.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

7. INTERESTS OF NON-CONSOLIDATED SPECIAL PURPOSE VEHICLE

In June 2016, the Company entered into the equity trusteeship agreements (hereinafter “Trusteeship Agreement”) with the shareholders of Sichuan Capital Yuanda Real Estate Development Co., Ltd., Huludao Chuangrong Investment Co., Ltd. (hereinafter “Chuangrong Investment”), Huludao Capital Investment Development Co., Ltd. (hereinafter “Huludao Investment”), Huludao Capital Industrial Development Co., Ltd. (hereinafter “Huludao Industrial”), Huludao Capital Longwan Development Co., Ltd. (hereinafter “Longwan Development”), Xishuangbanna Xietong Duchang Investment Co., Ltd. (hereinafter “Xietong Duchang”), Jinghong Xietong Real Estate Co., Ltd., Jinghong Hengtong Real Estate Development Co., Ltd., Zhejiang Shaoxing Capital Sunshine Real Estate Co., Ltd. and Xishuangbanna Jingyuan Investment Development Co., Ltd. (collectively “Trusteeship Companies”). The Company shall exercise the shareholder rights by trusteeship (except for the right to profit, residual properties distribution and disposition), including but not limited to the right to attending shareholders’ meeting, voting, nomination, recommendation, supervision, proposal and questioning etc. The Company shall perform supervision, propose suggestions for the trusteeship companies and appoints individuals for directors, supervisors and chief executives on behalf of the trusteeship companies’ shareholders. According to the Trusteeship Agreement, the trusteeship expenses are calculated as 0.2% of the sales revenue of trusteeship companies within maximum of RMB900,000 and minimum of RMB500,000. In 2016, the Company recognized revenue of trusteeship amounted to RMB1,750,000.

As of 31 December 2016, the Group has no equity interests in the above trusteeship companies and treated them as interests of non-consolidated special purpose vehicle. These trusteeship companies are principally engaged in the real estate development, and the revenue are mainly from the real estate project. As of 31 December 2016, the Group has not transferred assets to the trusteeship companies, and has no obligation or intention to provide financial support to these trusteeship companies.

Other interests of non-consolidated special purpose vehicle is disclosed in note 6(2).

8. SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different products or service, or operate in different areas. Different businesses or areas require different marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources allocation to these segments and to assess their performance.

In 2016, the Group identified six reportable segments as follows:

- Beijing segment, which is mainly engaged in real estate development, sales and related business in Beijing region.
- Shanghai segment, which is mainly engaged in real estate development, sales and related business in Shanghai region.
- Tianjin segment, which is mainly engaged in real estate, sales and related business in Tianjin region.
- Chengyu segment, which is mainly engaged in real estate development, sales and related business in Chengdu and Chongqing region.
- Other segment, which is mainly engaged in real estate development, sales and related business in other regions, including Shenyang, Xi’an, Jiangsu, Zhejiang, Hainan and etc.
- Outlets business segment, which is mainly engaged in outlets businesses in different regions.
- Other investment property segment, which is mainly engaged in the investment property operations other than outlets business.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

8. SEGMENT INFORMATION *(Continued)*

In 2015, the Group identified six reportable segments as follows:

- Beijing segment, which is mainly engaged in real estate development, sales and related business in Beijing region.
- Tianjin segment, which is mainly engaged in real estate development, sales and related business in Tianjin region.
- Chengyu segment, which is mainly engaged in real estate development, sales and related business in Chengdu and Chongqing region.
- Other segment, which is mainly engaged in real estate development, sales and related business in other regions, including Shenyang, Xi'an, Jiangsu, Zhejiang, Hainan and etc.
- Investment property segment, which is mainly engaged in the investment property operations.
- Hotel segment, which is mainly engaged in hotel business and corresponding services.

The Group disposed the operation of hotel services in 2015 and the hotel segment is no longer included in 2016.

In addition, due to the substantial expansion of the property development projects in Shanghai, it becomes a core business unit of the Group and constitutes an individual reporting segment. The segment information as at and for the year ended 31 December 2015 was restated as disclosed in Shanghai segment.

In 2016, due to the substantial expansion of the development and operation of outlets business in different regions, it becomes a core business unit of the Group and constitutes an individual reporting segment. The segment information as at and for the year ended 31 December 2015 was restated as disclosed in unit of investment properties separately.

Inter-segment transfer prices are determined by referring to sales price to third parties. The expenses attributed to each segment indirectly are allocated between the segments according to the proportion of income.

Assets are allocated to segments based on the location of assets and the segments' operation. Liabilities are allocated to segments based on the segments' operation. Indirect expenses of the segments are allocated to the segments based on the proportion of each segments' revenue.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

8. SEGMENT INFORMATION (Continued)

(a) Segment information as at and for the year ended 31 December 2016 are as follows:

	Property development and sales					Investment properties				Inter-segments elimination	Total
	Beijing	Shanghai	Tianjin	Chengyu	Others	Outlets business	Others	Unallocated			
Revenue from external customers	2,962,674	1,925,703	10,178,908	1,260,236	3,719,506	199,378	102,999	-	-	20,349,404	
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	
Cost of sales from main operations	(2,123,212)	(1,708,054)	(8,783,059)	(1,104,706)	(3,103,421)	-	(9,962)	-	-	(16,832,414)	
Interest income	520,633	7,008	91,017	1,918	29,915	1,193	2,267	457,691	(104,827)	1,006,815	
Interest expense	(474,744)	(3,210)	(5,463)	(22,423)	(54,176)	(189,358)	(2,259)	(266,371)	104,827	(913,177)	
Share of profit/(loss) of associates and joint ventures	56,025	397,315	(19,545)	(707)	10,311	-	139,589	-	-	582,988	
Provisions for assets impairment loss	-	-	-	-	(772)	-	-	-	-	(772)	
Depreciation and amortization	(5,743)	(628)	(1,913)	(340)	(1,553)	(21,522)	(19,121)	(2,496)	-	(53,316)	
Total Profit/(loss)	863,781	547,550	707,281	50,833	316,797	496,821	1,036,232	(66,523)	-	3,952,772	
Income tax expenses	(230,629)	(123,933)	(225,358)	(13,754)	(77,848)	(148,124)	(259,482)	4,654	-	(1,074,474)	
Net profit/(loss)	633,152	423,617	481,923	37,079	238,949	348,697	776,750	(61,869)	-	2,878,298	
Total assets	64,828,253	17,527,457	12,741,767	4,509,723	15,655,439	7,634,733	9,281,359	5,670,784	(18,638,781)	119,210,734	
Total liabilities	(59,062,541)	(15,540,370)	(8,953,529)	(1,504,032)	(7,735,138)	(2,828,346)	(1,623,954)	(6,811,189)	12,413,100	(91,645,999)	
Long-term equity investments on associates and joint ventures	822,075	899,423	537,268	-	629,122	-	190,541	-	-	3,078,429	
Increase in non-current assets (i)	1,097,633	265	216	-	2,425	1,819,387	1,789,561	378,820	-	5,088,307	

(i) Non-current assets do not include financial assets, long-term equity investments and deferred income tax assets.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

8. SEGMENT INFORMATION (Continued)

(b) Segment information as at and for the year ended 31 December 2015 (restated) are as follows:

	Property development and sales					Investment properties				Inter-segments elimination	Total
	Beijing	Shanghai	Tianjin	Chengyu	Others	Outlets business	Others	Hotel	Unallocated		
Revenue from external customers	2,966,055	541,233	4,973,397	1,359,945	5,803,139	153,908	108,541	88,552	-	-	15,994,770
Inter-segment revenue	-	-	-	-	3,800	-	-	-	-	(3,800)	-
Cost of sales from main operations	(2,143,433)	(490,995)	(4,279,627)	(1,041,670)	(5,027,049)	-	(14,658)	(75,622)	-	-	(13,073,054)
Interest income	399,399	1,395	41,444	3,074	119,213	42,008	78	194	114,289	(175,775)	545,319
Interest expense	(360,139)	(377)	(9,483)	(393)	(116,061)	(93,923)	(10,456)	(36,912)	(61,477)	175,775	(513,446)
Share of profit/(loss) of associates and joint ventures	116,894	(9,211)	(6,080)	52,849	(2,759)	-	30,663	-	-	-	182,356
Provisions for assets impairment loss	(5,336)	-	(23,687)	(3,369)	(97,699)	-	-	-	-	-	(130,091)
Depreciation and amortization	(4,940)	(548)	(1,423)	(366)	(11,628)	(17,383)	(6)	(27,829)	(2,048)	-	(66,171)
Total Profit/(loss)	712,681	(15,168)	523,711	212,690	745,620	729,087	1,092,681	(28,900)	36,416	-	4,008,818
Income tax expense	(49,567)	1,881	(157,451)	(55,033)	(161,918)	(245,340)	(273,172)	-	(81,418)	-	(1,022,018)
Net profit/(loss)	663,114	(13,287)	366,260	157,657	583,702	483,747	819,509	(28,900)	(45,002)	-	2,986,800
Total assets	57,942,314	15,124,039	17,671,734	5,453,174	21,259,838	6,502,001	6,934,786	-	6,040,874	(29,456,811)	107,471,949
Total liabilities	(44,448,579)	(14,963,531)	(11,803,336)	(3,646,904)	(16,178,573)	(2,541,408)	(2,901,680)	-	(7,838,669)	22,508,316	(81,814,364)
Long-term equity investments on associates and joint ventures	2,253,662	182,900	525,575	1,018,922	649,554	-	190,240	-	-	-	4,820,853
Increase in non-current assets (i)	2,596,475	550	714,369	710	426,342	1,343,567	1,833,216	-	392,103	-	7,307,332

(i) Non-current assets do not include financial assets, long-term equity investments and deferred income tax assets.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

8. SEGMENT INFORMATION *(Continued)*

The revenue generated and total non-current assets apart from financial assets and deferred income tax assets from mainland China and overseas countries or regions are as follows:

Revenue from external customers	2016	2015 (restated)
China	20,349,404	15,994,770
Total non-current assets	31 December 2016	31 December 2015 (restated)
China	18,601,724	16,902,552
France	145,358	121,130
Total	18,747,082	17,023,682

Most business of the Company and the subsidiaries are operated in mainland China. In 2016 and 2015, the Group has no revenue generated from overseas transaction nor from a single significant customer.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

(a) The general information of the parent company

	Place of registration	Nature of business
Capital Group	Beijing	Infrastructure, financial securities, industrial technology, commercial trade and tourist hotel, etc.

The Company's ultimate controlling party is Capital Group, incorporated in Beijing.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2015	Increase	Decrease	31 December 2016
Capital Group	3,300,000	-	-	3,300,000

(c) The proportions of equity interests and voting rights in the Company held by the parent company

	31 December 2016		31 December 2015	
	Interest held (%)	Voting held (%)	Interest held (%)	Voting held (%)
Capital Group	54.47	54.47	54.47	54.47

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For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(2) Subsidiaries

The general information and other related information of the subsidiaries are set out in note 6(1).

(3) Joint ventures and associates

The general information are set out in note 6(2).

Except for the significant joint ventures and associates set out in Note 6(2), the information of other joint ventures and associates is listed as follows:

	Place of main operation	Place of registration	Nature of business	Strategic to the Group's operation	Interests held 31 December 2016		Interests held 31 December 2015	
					direct (%)	Indirect (%)	direct (%)	Indirect (%)
Joint ventures–								
Tonghua Qiangyu	Tianjin	Tianjin	Enterprise and property management	No	40	–	40	–
Beijing Wanzhu	Beijing	Beijing	Property development and sales	No	30	–	30	–
Internation School	Tianjin	Tianjin	Senior and junior education	No	–	45	–	45
Tongchuang Jinlong	Beijing	Beijing	Property development and sales	No	–	25	–	25
Shanghai Henggu	Shanghai	Shanghai	Property development and sales	No	–	28	–	28
Shanghai Songming	Shanghai	Shanghai	Property development and sales	No	–	28	–	28
Jinlong Yonghui	Beijing	Beijing	Property development and sales	No	–	14.55	–	14.55
Dacheng Guangyuan	Beijing	Beijing	Property development and sales	No	–	12.5	–	12.5
Shangbodi	Beijing	Beijing	Commercial rent, property management	No	51	–	N/A	N/A
Shouwan Yuye	Shanghai	Shanghai	Property management	No	–	51	–	51
Associates –								
Golden Net	Beijing	Beijing	Real estate sales agent	No	14	–	14	–
Financial Street Hotel	Beijing	Beijing	Hotel operating management	No	10	49.5	10	49.5
Capital Qinglv Cuture	Kunshan	Kunshan	Tourism and hotel investment	No	–	49	–	49

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(4) Other related parties

	Relationship with the Group
Reco Ziyang	Significant non-controlling interests of subsidiaries
Shanghai Poly Jianjin Real Estate Co., Ltd. ("Poly Jianjin")	Significant non-controlling interests of subsidiaries
Shouhui Real Estate	Subsidiary of joint venture of the Company
Taihao Hengsheng	Subsidiary of former joint venture of the Company
Shouyong Real Estate	Subsidiary of former joint venture of the Company
Chengdu Jinhui	Subsidiary of joint venture of the Company
Shanghai Liangyue Industrial Co., Ltd. ("Shanghai Liangyue")	Subsidiary of joint venture of the Company
Capital Financial Service	Controlled by the same ultimate controller
Beijing Capital Investment	Controlled by the same ultimate controller
Yanguang Comprehensive	Controlled by the same ultimate controller
Xietong Duchang	Controlled by the same ultimate controller
Huludao Investment	Controlled by the same ultimate controller
Huludao Industrial	Controlled by the same ultimate controller
Chuangrong Investment	Controlled by the same ultimate controller
Longwan Development	Controlled by the same ultimate controller
Beijing XCapital Construction Investment Fund (Limited Partnership) ("XCapital Fund")	Controlled by the same ultimate controller
Capital Securities Co., Ltd. ("Capital Securities")	Controlled by the same ultimate controller
Beijing Capital Co., Ltd. ("Beijing Capital")	Controlled by the same ultimate controller
Beijing Capital Assets Management Co., Ltd. ("Capital Assets")	Controlled by the same ultimate controller
Beijing Capital Dahe Investment Co., Ltd. ("Capital Dahe")	Controlled by the same ultimate controller
Beijing Shuixing Environment Co., Ltd. ("Shuixing environment")	Controlled by the same ultimate controller
Beijing Chuangzhi Trust Finance Investment Center (limited partnership) ("Changzhi Trust")	Controlled by the same ultimate controller
Beijing Capital Fangzhou Real Estate Co., Ltd. ("Capital Fangzhou")	Controlled by the same ultimate controller

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5) Related party transaction

The Board of directors considers all transactions with related parties are on normal commercial terms, and prices of related party transactions were agreed by the Group and the related parties.

(a) Purchases or sales of goods, providing or receiving services

Purchase of goods, receiving services

Related party	Related transaction	Pricing policy and procedure for decision-making	2016	2015
Golden Net (i)	Selling agency		86,060	84,066
Capital Group	Guarantees		27,767	14,167
Capital Group	Keepwell Deed	According to market	3,900	1,625
Capital Securities	Securities consignment	price criterion with	16,227	5,730
Shangbodi	Property leasing	friendly negotiation.	4,065	N/A
Yangguangyuan	Property leasing		1,478	–
Financial Street Hotel	Property leasing		984	–
Total			140,481	105,588

- (i) The Group entrust GoldenNet as sales agent of certain projects. The commission fee payable was charged by certain percentage based on property sales turnover.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5) Related party transaction *(Continued)*

(a) Purchases or sales of goods, providing or receiving services *(Continued)*

Sales of goods and providing services

Related parties	Related transaction	Pricing policy and procedure for decision-making	2016	2015 (restated)
Shouhui Real Estate	Consulting service		3,385	2,400
Taihao Shengyuan	Consulting service		–	9,549
Chengdu Jinhui	Consulting service		6,157	–
Shouyong Real Estate	Consulting service		4,906	5,900
Shouchuang Jiaming	Guarantee Service		3,675	–
Golden Net	Property leasing		–	838
Capital Financial Service	Property leasing and services		4,775	4,775
Capital Assets	Property leasing and services		1,720	1,522
Capital Group	Property leasing and services		13,926	10,280
XCapital Fund	Property leasing and services	According to market price criterion with friendly negotiation.	822	783
Capital Dahe	Property leasing and services		920	–
Shenyang Jitian	Merchandise sale		1,059	–
Shouyong Real Estate	Merchandise sale		641	–
Shuixing Environment	Trusteeship Service		250	–
Chuangrong Investment	Trusteeship Service		250	–
Huludao Industrial	Trusteeship Service		125	–
Longwan Development	Trusteeship Service		125	–
Huludao Investment	Trusteeship Service		250	–
Xietong Duchang	Trusteeship Service		250	–
Yangguang	Trusteeship Service		500	–
Comprehensive				
Total			43,736	36,047

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5) Related party transaction *(Continued)*

(b) Interest income/(expense)

	2016	2015 (restated)
Zhongguancun Integrated Circuit Garden	67,605	41,302
Tianjin Lianjin	23,860	–
Capital Qinglv	20,066	18,347
Financial Street Hotel	3,891	14,848
Shanghai Shoujia	–	31,379
Beijing Capital Investment	(53,710)	(32,300)
XCapital Fund	(43,598)	(9,803)
Shouhui Real Estate	–	(26,355)
Taihao Shengyuan	–	(14,778)
Capital Group	–	(12,880)
Total	18,114	9,760

(c) Guarantee and keepwell deed

	31 December 2016	31 December 2015
Capital Group for the company	6,500,000	7,500,000
Capital Group for the subsidiary	1,220,000	1,980,000
Keepwell deed for subsidiaries of Capital Group (note 4(29))	1,300,000	1,300,000

In 2013, Capital Group provided irrevocable guarantee for the Company's long-term borrowing from China Life Guarantee Co., Ltd. amounted to RMB2,000,000,000. The guarantee will expire in December 2018.

In 2014, Capital Group provided irrevocable guarantee for the Company's long-term borrowing from PICC Investment Holding Co., Ltd. amounted to RMB2,000,000,000. The guarantee will expire in October 2019.

In 2014, Capital Group provided irrevocable guarantee for the Company's long-term borrowing from PingAn Bank of Shenzhen Branch amounted to RMB1,220,000,000. The guarantee will expire in August 2022.

In 2014, Capital Group provided irrevocable guarantee for the Company's long-term borrowing from Taikang Assets Management Co., Ltd. amounted to RMB2,500,000,000. The guarantee will expire in August 2022.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5) Related party transaction *(Continued)*

(c) Guarantee and keepwell deed *(Continued)*

	31 December 2016	31 December 2015
The Company for subsidiary	13,987,075	22,983,072
The subsidiary for subsidiary	10,472,871	10,144,700
Subsidiary for the Company	700,000	910,000

As at 31 December 2016 and 31 December 2015, the guarantees above are provided by the Company or certain subsidiaries for the Group's short-term borrowings (note 4(19)), long-term borrowings (note 4(28)), debentures payable (note 4(29)), long-term payables (note 4(30)) and equity instruments (note 6(1)).

As at 31 December 2016 and 31 December 2015, a joint venture of the Group, bears a long-term borrowing amounted to RMB1,200,000,000, among which RMB600,000,000 is guaranteed by the Group. The guarantee period is from 22 December 2015 to 22 December 2018.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5) Related party transaction *(Continued)*

(d) Provide/(receive) funding

	2016	2015 (restated)
Beijing Capital Investment	283,089	(1,282,402)
Shanghai Liangyue	230,000	–
Tianjin Lianjin	172,640	–
Tianjin Xinming	161,950	126,120
Capital Qinglv	159,500	(48,000)
Chuangzhi Trust	54,079	–
Capital Fangzhou	49,689	–
Shouhui Real Estate	40,447	528,400
Shouwan Yuye	26,398	–
Capital Financial Service	19,968	32
Taihao Shengyuan	14,778	299,549
Capital Group	13,323	29,049
Capital Jiaming	10,057	62,565
GoldenNet	927	51
Beijing Capital	–	(12)
Shouyong Real Estate	–	5,900
Shenyang Jitian	–	40,691
Poly Jianjin	(1,698,159)	–
Zhongguancun Integrated Circus Garden	(498,663)	988,064
Financial Street Hotel	(260,493)	377
Dacheng Guangyuan	(207,761)	182,761
Tiancheng Yongtai	(172,921)	–
Jinlong Yonghui	(145,920)	116,820
Tongchuang Jinlong	(129,650)	54,650
Shanghai Shoujia	(61,379)	(75,689)
XCapital Fund	(32,902)	–
Shanghai Songming	(14,000)	(67,200)
Shanghai Henggu	(11,200)	(95,200)
Shenyang Xinzi	(10,000)	23,000
Tianjin Xinqing	(10,000)	(66,410)
International School	(1,967)	–
Total	(2,018,170)	823,116

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5) Related party transaction *(Continued)*

(e) Key executives compensation

	2016	2015
Remuneration of key executives	29,886	39,186
Others	508	464
Total	30,394	39,650

(f) In 2015, the Group bears a short-term unguaranteed borrowings amounted to RMB441,000,000 and RMB200,000,000 from XCapital Fund, which carries annual rates of 7.15% and 6.8%. Of which, RMB441,000,000 expired on 20 September 2016 and signed a renewal agreement with due date at 20 September 2017, the renewal annual rate is 5.225%; the amount of RMB200,000,000 has been repaid on 22 December 2016.

In 2016, the Group bears a short-term unguaranteed borrowings amount to RMB9,000,000 from XCapital Fund, with an annual interest rate of 7.15%, which will expire on 15 March 2017.

(g) The Group does not provide loans to key executives.

(h) In 2016, the Group entered into an agreement with Capital Group to acquire 100% equity interests of Donghuan Xinrong. After the transaction, Donghuan Xinrong became the wholly-owned subsidiary of the Group (Note 5(1)).

(i) In 2016, the Group entered into an agreement with Beijing Capital Investment to acquire 60% equity interests of Liujin Real Estate. After the transaction, Liujin Real Estate became the wholly-owned subsidiary of the Group (Note 5(1)).

(j) In 2016, the Group set up Youda Real Estate together with XCapital Fund by capital injection (Note 5(4)).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(6) Related party balances

Receivables due from related parties:

	31 December 2016		31 December 2015 (restated)	
	Carrying amount	Provisions for bad debts	Carrying amount	Provisions for bad debts
Trade receivables				
Shuixing Environment	250	–	–	–
Chuangrong Investment	250	–	–	–
Huludao Industrial	125	–	–	–
Longwan Development	125	–	–	–
Huludao Investment	250	–	–	–
Xietong Duchang	250	–	–	–
Yangguang Comprehensive	500	–	–	–
Total	1,750	–	–	–
Advanced to suppliers				
Capital Group	6,100	–	11,667	–
Golden Net	21,498	–	41,112	–
Total	27,598	–	52,779	–
Long-term receivables				
Financial Street Hotel (i)	66,706	–	323,075	–
Zhongguancun Integrated Circus Garden (ii)	598,080	–	913,500	–
Tianjin Lianjin (iii)	196,500	–	–	–
Total	861,286	–	1,236,575	–

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(6) Related party balances *(Continued)*

Receivables due from related parties: *(Continued)*

	31 December 2016		31 December 2015 (restated)	
	Carrying amount	Provisions for bad debts	Carrying amount	Provisions for bad debts
Others receivables				
Zhuhai Hengqin Ruiyuan Jialing Fund	437,355	-	-	-
Shanghai Liangyue	230,000	-	-	-
Capital Qinglv (iv)	180,774	-	-	-
Beijing Capital Investment	193,332	-	-	-
Chuangzhi Trust	54,079	-	-	-
Capital Fangzhou	49,689	-	-	-
Shangbodi	46,662	-	N/A	N/A
Chengdu Jinhui	40,663	-	-	-
Zhuhai Hengqin Chengdu Weihua Fund	38,522	-	-	-
Shouwan Yuye	26,398	-	-	-
Capital Jiaming	22,060	-	8,164	-
Capital Financial Service	20,000	-	32	-
Shouhui Real Estate	5,988	-	-	-
International School	3,000	-	4,967	-
GoldenNet	1,085	-	164	-
Zhongguancun Integrated Circus Garden	228	-	115,866	-
Capital Group	13,492	-	169	-
Dacheng Guangyuan	-	-	182,761	-
Jinlong Yonghui	-	-	116,820	-
Tongchuang Jinlong	-	-	54,650	-
Shanghai Shoujia	-	-	31,379	-
Shenyang Xinzi	-	-	10,000	-
Shouyong Real Estate	-	-	8,300	-
Taihao Shengyuan	-	-	9,997	-
Tiancheng Yongtai	-	-	2,652	-
Total	1,363,327	-	545,921	-

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(6) Related party balances *(Continued)*

Dividends receivable of the Group is disclosed in note 4(3).

- (i) As at 31 December 2015, the amounts were the principals and interests due from Financial Street Hotel, an associate of the Group. Interests began to charge at the rate of bank loan interest rate in the same period since 1 January 2013. Since the receivable has no fixed maturity date and the Group expected that the receivable would not be collected within one year, such amount is classified as long-term receivables. As of 31 December 2016, the group had recollected all the principals and the interests charged remained uncollected. As such amount would not be collected within one year and was classified as long-term receivables.
- (ii) As at 31 December 2016 and 31 December 2015, the amounts were the principal of shareholders loan to Zhongguancun Integrated Circus Garden, carrying a fixed annual interest rate of 8.5%. The receivable will be collected on 9 February 2018 and therefore was classified as long-term receivables.
- (iii) As at 31 December 2016, the amounts were the principals of the entrusted loans to Tianjin Lianjin, a joint venture of the Group, carrying a fixed annual interest rate of 9% and would be collected in March 2018.
- (iv) As at 31 December 2016, the amounts were the principal and interests due from Capital Qinglv. The principal is charged at the rate of bank loan interest rate in the same period, 20% and with no fixed maturity date.

Except for the receivables above, the other receivables due from related parties were interest free, unmortgaged and unguaranteed, and with no fixed maturity date.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balances (Continued)

Payables due to related parties

		31 December 2016	31 December 2015 (restated)
Trade Payables	Golden Net	21,409	15,806
Advances from customers	Chengdu Jinhui	1,466	–
Other payables			
	Poly Jianjin	1,698,159	–
	Shouhui Real Estate	263,000	38,047
	Shanghai Henggu	106,400	95,200
	Shanghai Shoujia	105,689	75,689
	Tianjin Xinming	98,420	260,370
	Shanghai Songming	81,200	67,200
	XCapital Fund	76,500	–
	Tongchuang Jinlong	75,000	–
	Reco Ziyang	69,987	69,987
	Jinlong Yonghui	29,100	–
	Dacheng Guangyuan	25,000	–
	Tianjin Xinqing	10,000	–
	GoldenNet	93	99
	Taihao Shengyuan	–	14,778
	Tiancheng Yongtai	N/A	720,557
	Beijing Capital Investment Capital Group	–	967,702
		–	269,412
Total		2,638,548	2,579,041
Interests payable	XCapital Fund	7,113	9,803

The other payables due to related parties were interest free, unmortgaged and unguaranteed, and with no fixed maturity date.

(7) Remuneration payable to the Board of directors (Note 4(22)):

	31 December 2016	31 December 2015
Remuneration	16,848	32,956

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(8) Remuneration and interests to Directors

(a) Remuneration to Directors, Supervisors and CEO

Directors' and supervisors' emoluments for 2016 are as follows:

Name	Allowance	Salary	Others	Basic pension insurance	Housing funds	The long-term incentive fund scheme	Total
Li Songping (i)	483	-	-	-	-	-	483
Tang Jun	-	1,455	51	81	29	4,580	6,196
Sun Baojie (ii)	345	-	-	-	-	-	345
Sun Shaolin (iii)	181	-	-	-	-	-	181
Su Jian (iii)	181	-	-	-	-	-	181
Yang Weibin (iii)	181	-	-	-	-	-	181
Wang Hong	270	-	-	-	-	-	270
Li Wang	270	-	-	-	-	-	270
Wong Yik Chung John (iv)	182	-	-	-	-	-	182
Li Zhang (iii)	54	-	-	-	-	-	54
Tang Yanan (v)	25	-	-	-	-	-	25
Jiang Hebin	-	2,368	41	81	29	100	2,619
Wang Hao (vi)	387	-	-	-	-	-	387
Liu Xiaoguang (vii)	419	-	-	-	-	-	419
Zhang Shengli (viii)	-	463	34	33	12	-	542
Song Fengjing (vi)	387	-	-	-	-	-	387
Shen Jianping (vi)	387	-	-	-	-	-	387
Liu Yongzheng (vi)	183	-	-	-	-	-	183
Fan Shubin (ix)	229	-	-	-	-	-	229

(i) Appointed as non-executive director as at 26 February 2016 and as president as at 17 August 2016.

(ii) Appointed as at 24 May 2016

(iii) Appointed as at 6 September 2016

(iv) Appointed as at 29 April 2016

(v) Appointed as at 7 November 2016

(vi) Resigned as at 6 September 2016

(vii) Resigned as at 26 February 2016

(viii) Resigned as at 24 May 2016

(ix) Resigned as at 21 October 2016

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(8) Remuneration and interests to Directors *(Continued)*

(a) Remuneration to Directors, Supervisors and CEO *(Continued)*

Directors' and supervisors' emoluments for 2015 are as follows:

Name	Allowance	Salary	Others	Basic pension insurance	Housing funds	The long-term incentive fund scheme	Total
Wang Hao (i)	-	225	-	-	-	-	225
Wang Hao (i)	345	-	-	-	-	-	345
Tang Jun (president)	-	3,610	478	75	26	9,838	14,027
Zhang Shengli	-	1,720	378	75	26	-	2,199
Liu Xiaoguang (ii)	-	1,683	-	-	-	-	1,683
Liu Xiaoguang (ii)	1,097	-	-	-	-	-	1,097
Song Fengjing	570	-	-	-	-	-	570
Shen Jianping	570	-	-	-	-	-	570
Wu Yuqiang	270	-	-	-	-	-	270
Wang Hong	270	-	-	-	-	-	270
Li Wang	270	-	-	-	-	-	270
Liu Yongzheng	170	-	-	-	-	-	170
Fan Shubin	170	-	-	-	-	-	170
Jiang Hebin	-	678	120	75	26	157	1,056

(i) Appointed as executive director and Chairman of the Board on 10 August 2015.

(ii) Resigned as Chairman of the Board and appointed as non-executive director on 10 August 2015, and resigned on 26 February 2016.

Other benefits includes medical insurance and supplementary medical insurance, etc..

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(8) Remuneration and interests to Directors *(Continued)*

- (b) In 2016, the Company did not pay any termination benefits to directors.
- (c) In 2016, the Company did not pay consideration for the third party to gain directors' services.
- (d) In 2016, the Company did not provide borrowings, pre-borrowings or other transactions for directors or legal entity controlled by directors.
- (e) **Directors' significant interests in transaction, arrangement or contract**

In 2016, the Company did not sign any significant transactions, arrangements or contracts which are related to the Company's business and directors' direct or indirect interests.

(9) The five individuals whose emoluments are the highest

The five individuals whose emoluments are the highest in the Group for 2016 include 1 directors (2015: 2) whose emoluments are disclosed above. The emoluments paid to other 4 directors individuals (2015: 3) during 2016 are as follows:

	2016	2015
Basic salaries, bonus, basic pension insurance, the long-term incentive fund scheme and other allowances	19,838	14,899

	Number of individuals	
	2016	2015
Emoluments bands:		
RMB0-3,000,000	-	-
RMB3,000,001-4,000,000	-	1
RMB4,000,001-6,000,000	4	2

The emoluments above include the long-term incentive fund scheme.

- (10) The company had adopted the long term Incentive Fund Scheme ("Incentive Scheme") which was as approved by the extraordinary general meeting held on 27 September 2007, amended by the extraordinary general meeting held on 25 September 2009 and 2013 annual general meeting held on 14 March 2014. The allocation of the incentive fund is in accordance with the Incentive Scheme, with 10% for members of the Board of Directors and Supervisors, and 90% for senior management as well as core management and technical staffs, of which, the amount for senior management accounts for 60% of the total fund. In 2016, according to the Incentive Scheme, as the appropriation criteria has not been met, the Company did not appropriate any amount for long-term incentive fund scheme (2015: RMB61,000,000).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

10. CONTINGENCIES

(1) Borrowings guarantees and commitments

As at 31 December 2016 expect for the guarantees (note 9(5)(c)) provided by the Company or certain subsidiaries for short-term borrowings, long-term borrowings, debentures payable, long-term payables and equity instruments acquired by the Group or joint ventures and associates, the Group has no other material external guarantee. The Group believes that the guarantees above will not have a significant impact on its financial position.

(2) Mortgage guarantees and commitments

The Group has arranged bank financing for certain customers and has provided guarantees to secure repayments obligations of these customers.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property interest certificates are lodged with the various banks by the purchasers. As at 31 December 2016, outstanding guarantees amounted to RMB6,648,906,000 (31 December 2015: RMB6,902,006,000).

11. COMMITMENTS

(1) Capital commitments

- (a) Capital expenditures contracted for but not yet necessary to be recognized in the balance sheet by the Group at the balance sheet date are as follows:

	31 December 2016	31 December 2015
Authorized but not contracted	24,934,752	21,317,295
Contracted but not paid	9,031,300	14,631,019
Total	33,966,052	35,948,314

- (b) The Group's percentage shared on the commitments of joint ventures are as follows:

	31 December 2016	31 December 2015
Authorized but not contracted	2,601,000	3,572,374
Contracted but not paid	1,178,170	1,868,776
Total	3,779,170	5,441,150

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

11. COMMITMENTS *(Continued)*

(2) Operating lease commitments

According to the irrevocable operating leases contracts signed, the minimum of Group's future lease payments are as follows:

	31 December 2016	31 December 2015
Within 1 year	17,416	7,060
1 to 2 years	10,085	2,498
2 to 3 years	–	1,032
Total	27,501	10,590

(3) Investment commitments

	31 December 2016	31 December 2015
Investment for major acquisition of subsidiaries	275,556	–
Zhongguancun Integrated Circuit Garden	390,000	490,000
Xiangjiang Joy city Joyous Sky Avenue Project	43,300	83,300
Total	708,856	573,300

12. EVENTS AFTER THE BALANCE SHEET DATE

(1) Significant unadjusted items

Item	Description	Impact on financial condition and operation results	Reason for impact inestimated
The issuance of medium-term notes by subsidiary overseas	In January 2017, the Group successfully issued medium-term notes of USD400 million in HK with issuance coupon rate of 3.875%	The assets and liabilities would increased by RMB2.8 billion approximately	N/A

(2) An explanation of profit distribution

	Amount
Dividends proposed (a)	605,592
Dividends declared with approval	605,592

(a) According to the Board meeting held on 20 February 2017, the directors proposed a final dividends of RMB605,592,000 which is not recognized as liability in financial statements for the current year (Note 4(36)).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks, including market risk (foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are dominated in RMB. The Group is subject to foreign exchange risk arising from future commercial transactions, recognized assets and liabilities in foreign currency (most of the Group's foreign currency transactions and balances are dominated in United States dollars ("USD"), Hong Kong dollars ("HKD"), Australian dollars ("AUD") and Euro ("EUR")) and net investment overseas. The Group's headquarter is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimize potential foreign exchange risk. Therefore the management of the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

As at 31 December 2016 and 31 December 2015, the carrying amounts in equivalent RMB of the Group's assets and liabilities denominated in foreign currencies are summarized as follows:

	31 December 2016				
	USD	HKD	AUD	EUR	Total
Financial assets denominated in foreign currencies –					
Cash at bank and on hand	274,686	1,010,370	216,109	18,779	1,519,944
Financial assets at fair value through profit or loss	–	217,141	–	–	217,141
Long-term receivables	–	–	2,421,192	–	2,421,192
Total	274,686	1,227,511	2,637,301	18,779	4,158,277
Financial liabilities denominated in foreign currencies –					
Short-term borrowings	239,327	–	–	–	239,327
Dividends payable	74,412	–	–	–	74,412
Interests payable	674	1,701	–	–	2,375
Long-term borrowings	–	742,040	–	–	742,040
Total	314,413	743,741	–	–	1,058,154

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

	31 December 2015				Total
	USD	HKD	AUD	EUR	
Financial assets denominated in foreign currencies –					
Cash at bank and on hand	25,367	498,964	5,219	25,143	554,693
Financial assets at fair value through profit or loss	–	228,266	–	–	228,266
Long-term receivables	–	–	1,640,446	–	1,640,446
Total	25,367	727,230	1,645,665	25,143	2,423,405
Financial liabilities denominated in foreign currencies –					
Short-term borrowings	224,029	–	–	–	224,029
Dividends payable	70,235	–	–	–	70,235
Interests payable	716	–	–	–	716
Total	294,980	–	–	–	294,980

As at 31 December 2016, for all USD dominated financial assets and liabilities, if RMB had increased/decreased by 5% against USD with all other variables held constant, post-tax profit for the period would have been increased/decrease by approximately RMB1,490,000 (31 December 2015: increase/decrease by approximately RMB10,110,000).

As at 31 December 2016, since the foreign exchange risk of part of the HKD borrowings has been offset by the purchased foreign exchange contracts (note 4(31)), for the other HKD dominated financial assets and liabilities, if RMB had increased/decreased by 5% against HKD with all other variables held constant, post-tax profit for the period would have been decreased/increased by approximately RMB45,968,000 (31 December 2015: decrease/increase by approximately RMB27,271,000).

As at 31 December 2016, since the foreign exchange risk of the AUD investment in real estate development project in Australia has been offset by the purchased foreign exchange contracts (note 4(31)), for all the other AUD dominated financial assets, if RMB had increased/decreased by 5% against AUD with all other variables held constant, post-tax profit for the period would have been decreased/increased by approximately RMB8,104,000 (31 December 2015: decrease/increase by RMB195,000).

As at 31 December 2016, for all EUR dominated financial assets, if RMB had increased/decreased by 5% against EUR with all other variables held constant, post-tax profit for the period would have been decreased/increased by approximately RMB704,000 (31 December 2015: decrease/increase by RMB943,000).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(1) Market risk *(Continued)*

(b) Interest rate risk

The Group has exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry at prevailing market interest rates. Borrowings issued at floating interest rates expose the Group to cash flow interest-risk, and borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 December 2016, the Group's long-term interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to RMB 13,247,903,000 (31 December 2015: RMB10,623,939,000).

The financial department in headquarters of the Group continuously monitors the Group's interest rate condition. Increases in interest rates will increase the cost of new borrowing and the interest expenses of to the Group's outstanding borrowings with floating rate, and therefore could have a material adverse impact on the Group's financial position. The Group's finance department of its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The management of the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. In 2016 and 2015, the Group did not assign any interest rate swap agreements.

As at 31 December 2016, if interest rates of borrowings with floating rate increased/decreased by 5 basis points with all other variables held constant, the profit for the year of the Group would decrease/increase by approximately RMB49,680,000 (31 December 2015: RMB39,840,000).

(2) Credit risk

The Group manages its credit risk on a classified basis. Credit risk mainly arises from cash at bank, trade receivables and other receivable.

Since cash at bank of the Group are mainly deposited at state-owned banks and other large and medium-sized listed banks, the Group expects no significant credit risk associated and that there would not be any significant losses due to non-performance by these counterparties.

In addition, the Group has policies to limit the credit risk exposure on trade and other receivables. The Group assesses the credit quality and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use payment reminders, reducing or canceling credit periods, to ensure the overall credit risk of the Group is limited to a controllable range.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. On such basis, the Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(3) Liquidity risk *(Continued)*

The financial liabilities of the Group at the balance sheet date at their undiscounted contractual cash flows by their maturity date are analyzed below:

	31 December 2016				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	1,963,182	–	–	–	1,963,182
Payables	12,668,081	–	–	–	12,668,081
Long-term borrowings	1,183,201	9,779,511	10,003,211	2,981,107	23,947,030
Debentures payables	743,384	4,496,614	14,124,504	–	19,364,502
Long-term payables	270,200	3,963,865	–	–	4,234,065
Current portion of non-current liabilities	15,419,264	–	–	–	15,419,264
Total	32,247,312	18,239,990	24,127,715	2,981,107	77,596,124

	31 December 2015 (restated)				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	3,142,275	–	–	–	3,142,275
Payables	10,699,764	–	–	–	10,699,764
Long-term borrowings	1,845,158	13,556,773	13,945,583	2,110,313	31,457,827
Debentures payables	628,863	480,136	13,076,516	–	14,185,515
Long-term payables	400,000	2,111,368	4,008,820	–	6,520,188
Current portion of non-current liabilities	7,096,715	–	–	–	7,096,715
Total	23,812,775	16,148,277	31,030,919	2,110,313	73,102,284

As at 31 December 2016, the financial derivative liabilities of the Group at the balance sheet date at their undiscounted contractual cash flows by their maturity date are analyzed below:

- In 2017, sell AUD114,838,000, and buy RMB553,596,000.
- In 2018, sell AUD241,205,000 and buy RMB1,200,779,000; sell RMB744,494,000 and buy HKD825,000,000.
- In 2019, sell AUD249,837,000, and buy RMB1,227,268,000.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(3) Liquidity risk *(Continued)*

As at 31 December 2015, the financial derivative liabilities of the Group at the balance sheet date at their undiscounted contractual cash flows by their maturity date are analyzed below:

- (a) In 2016, sell AUD127,858,000 and buy RMB669,938,000.
- (b) In 2017, sell AUD87,192,000 and buy RMB413,067,000.
- (c) In 2018, sell AUD150,530,000 and buy RMB738,739,000.
- (d) In 2019, sell AUD93,262,000 and buy RMB426,860,000.

Bank and other borrowings analyzed by repayment terms are as follows:

	31 December 2016		31 December 2015	
	Bank borrowings	Debentures and others	Bank borrowings (restated)	Debentures and others (restated)
Within 1 year	9,082,467	7,793,862	8,667,736	1,100,000
1 to 2 years	8,862,630	7,595,786	11,362,690	1,700,000
2 to 5 years	9,444,633	13,196,401	12,809,492	16,289,324
Over 5 years	2,213,000	–	2,332,500	–
Total	29,602,730	28,586,049	35,172,418	19,089,324

According to the terms of individual housing mortgage loans, The Group provides temporary guarantee to the mortgage loans provided by the banks to the customers, who purchase the Group's available-for-sell properties by housing mortgage. The guarantee would expire after the customers obtain interests certification or other relevant warrant and completing the registration of mortgage on properties. As at 31 December 2016 and 31 December 2015, the balance of such guarantee refers to note 10.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

14. FAIR VALUE ESTIMATES

The level of fair value measurement result is determined by the lowest level of the input value, which is of great significance to the overall fair value measurement.

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

(1) Assets/(liabilities) measured at fair value on an ongoing basis

As at 31 December 2016, the financial assets and liabilities measured at fair value on an ongoing basis by three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss — Trading financial asset	217,141	—	—	217,141
Available-for-sale financial assets — Available-for-sale equity instrument	—	2,320,462	—	2,320,462
Total financial assets	217,141	2,320,462	—	2,537,603
Non-financial assets				
Investment properties —				
North region	—	—	10,279,501	10,279,501
Central region	—	—	2,984,950	2,984,950
South region	—	—	1,133,000	1,133,000
Total non-financial assets	—	—	14,397,451	14,397,451
Derivative financial liabilities	—	(178,724)	—	(178,724)
Total assets/(liabilities)	217,141	2,141,738	14,397,451	16,756,330

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

14. FAIR VALUE ESTIMATES *(Continued)*

(1) Assets/(liabilities) measured at fair value on an ongoing basis *(Continued)*

As at 31 December 2015, ongoing financial assets measured in fair value are as follow:

	Level 1	Level 2	Level 3 (restated)	Total
Financial assets				
Financial assets at fair value through profit or loss — Tradable financial assets	228,266	—	—	228,266
Available-for-sale financial assets — Available-for-sale equity instrument	16,444	—	—	16,444
Total financial assets	244,710	—	—	244,710
Non-financial assets				
Investment properties —				
North region	—	—	7,785,541	7,785,541
Central region	—	—	1,508,000	1,508,000
South region	—	—	1,008,000	1,008,000
Total non-financial assets	—	—	10,301,541	10,301,541
Derivative financial liabilities	—	(55,601)	—	(55,601)
Total assets/(liabilities)	244,710	(55,601)	10,301,541	10,490,650

The Group recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event that caused the transfer. There was no transfer occurred among level 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices in active markets. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. Specific valuation techniques mainly include discounted cash flow analysis and so on. The inputs in those valuation techniques mainly include risk-free rate, benchmark interest rate and exchange rate.

The Group obtains independent valuations for investment properties from an independent professional valuer as a third party. The valuation techniques adopted are mainly income approach and residual approach. And the inputs used in such techniques mainly include the market rents and their growth rates, the discount rates, the interest rates and the profit rates, etc.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

14. FAIR VALUE ESTIMATES *(Continued)*

(1) Assets/(liabilities) measured at fair value on an ongoing basis *(Continued)*

The change of assets in level 3 are as follows:

	Investment properties			Total
	North region	Central region	South region	
As at 1 January 2016 (restated)	7,785,541	1,508,000	1,008,000	10,301,541
Additions	656,530	–	–	656,530
Transferred from investment properties at cost	681,445	1,059,521	–	1,740,966
Transferred from inventories	–	154,086	–	154,086
Gains recognized in profit or losses	1,155,985	257,429	125,000	1,538,414
Gains recognized in other comprehensive income	–	5,914	–	5,914
As at 31 December 2016	10,279,501	2,984,950	1,133,000	14,397,451
Realized gains or losses recognized in current profit or losses	–	–	–	–
Unrealized gains or losses recognized in current profit or losses				
– Profit from change in fair value	1,155,985	257,429	125,000	1,538,414

	Investment properties			Total
	North region	Central region	South region	
As at 1 January 2015 (restated)	3,574,374	923,000	580,700	5,078,074
Additions	429,068	21,703	1,721	452,492
Sales	(1,958)	–	–	(1,958)
Transferred from investment properties at cost	3,290,604	402,389	284,523	3,977,516
Gains recognized in profit or losses	1,284,453	160,908	141,056	1,586,417
Decrease by disposal of subsidiaries	(791,000)	–	–	(791,000)
As at 31 December 2015 (restated)	7,785,541	1,508,000	1,008,000	10,301,541
Realized gains or losses recognized in current profit or losses				
– Revenue from other operations (note 4(37))	24,000	–	–	24,000
Unrealized gains or losses recognized in current profit or losses				
– Profit from change in fair value	1,284,453	160,908	141,056	1,586,417

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

14. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

Information about fair value measurements in level 3 are as follows:

Investment properties	Fair value as at 31 December 2016	Valuation techniques	Unobservable inputs		
			Name	Range/weighted average	Relationship of unobservable inputs of fair value
North region	10,279,501	Income approach	Discount rate	6% to 8%	The higher discount rate, the lower fair value.
			Market rents	RMB42 to RMB535 per square metre per month	The higher market rent, the higher fair value.
			Rents growth rate	0% to 4%	The higher growth rate, the higher fair value.
		Residual approach	Interest rate	4.35% to 4.9%	The higher interest rate, the lower fair value.
			Profit rate	10% to 30%	The higher profit rate, the lower fair value.
Central region	2,984,950	Income approach	Discount rate	6.5% to 7.5%	The higher discount rate, the lower fair value.
			Market rents	RMB38 to RMB105 per square metre per month	The higher market rent, the lower fair value.
			Rents growth rate	0% to 2%	The higher growth rate, the higher fair value.
		Residual approach	Interest rate	4.35% to 4.9%	The higher interest rate, the lower fair value.
			Profit rate	8% to 20%	The higher profit rate, the lower fair value.
South region	1,133,000	Income approach	Discount rate	7% to 7.5%	The higher discount rate, the lower fair value.
			Market rents	RMB45 to RMB86 per square metre per month	The higher market rent, the higher fair value.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

14. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

Investment properties	Fair value as at 31 December 2015 (restated)	Valuation techniques	Unobservable inputs		
			Name	Range/weighted average	Relationship of unobservable inputs of fair value
North region	7,785,541	Income approach	Discount rate	6% to 8%	The higher discount rate is, the lower fair value.
			Market rents	RMB41 to RMB532 per square metre per month	The higher market rent is, the higher fair value.
			Rents growth rate	0% to 1%	The higher growth rate, the higher fair value.
		Residual approach	Interest rate	4.35% to 4.9%	The higher interest rate, the lower fair value.
			Profit rate	10% to 20%	The higher profit rate, the lower fair value.
Central region	1,508,000	Income approach	Discount rate	6.5% to 7.5%	The higher discount rate, the lower fair value.
			Market rents	RMB36 to RMB98 per square metre per month	The higher market rent, the higher fair value.
			Rents growth rate	0% to 2%	The higher growth rate, the higher fair value.
South region	1,008,000	Income approach	Discount rate	7% to 7.5%	The higher discount rate, the lower fair value.
			Market rents	RMB45 to RMB75 per square metre per month	The higher market rent, the higher fair value.
			Rents growth rate	0% to 2%	The higher growth rate, the higher fair value.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

14. FAIR VALUE ESTIMATES *(Continued)*

(1) Assets/(liabilities) measured at fair value on an ongoing basis *(Continued)*

Information about the fair value measurement of level 2 are as follows:

	Fair value as at 31 December 2016	Valuation techniques	Observable inputs	
			Name	Range/ weighted average
Financial derivative liabilities	178,724	Discounted future cash flow	AUD forward exchange rate at balance sheet date	5.1418 to 5.4967
			Discounted rate	1.87% to 2.14%
		Discounted future cash flow	HKD forward exchange rate at balance sheet date	0.9704
			Discounted rate	1.66%
Available-for-sale financial assets	2,320,462	Market approach	Contract price	RMB28,878 to RMB58,200 per square metre
			Sales area	92,790 square metre

	Fair value as at 31 December 2015	Valuation techniques	Observable input	
			Name	Range/ weighted average
Financial derivative liabilities	55,601	Discounted future cash flow	AUD forward exchange rate at balance sheet date	4.7948 to 4.9842
			Discounted rate	2.21% to 2.39%

(2) Assets measured at fair value not on an ongoing basis

The non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. As at 31 December 2016, the non-current assets held for sale of the Group measured at fair value not on an ongoing basis amounted to RMB9,921,000 (31 December 2015: RMB9,921,000).

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

14. FAIR VALUE ESTIMATES *(Continued)*

(3) Assets and liabilities not measured at fair value but disclosed on fair value

Financial assets and liabilities measured at amortized cost mainly include receivables, short-term borrowings, payables, long-term borrowings, debentures payables and long-term payables.

Except for the financial assets and liabilities listed below, the carrying amount of other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value:

	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	12,575,500	13,206,889	23,013,450	24,330,362
Debentures payable	22,479,374	22,480,074	12,481,249	12,490,595
Long-term payable	5,500,000	5,664,067	6,602,950	6,916,407
Total	40,554,874	41,351,030	42,097,649	43,737,364

The fair value of long-term borrowings and debentures payables without an active market are determined by the present value of the contracted future cash flow, which is calculated using the discount rate in the market of comparable credit rating that can provide much the same cash flows in the same conditions. This situation belongs to Level 3.

15. CAPITAL MANAGEMENT

The Group's objectives of capital management are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to reduce cost of capital by maintaining an optimal capital structure.

In order to maintain or adjust capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Same as other companies in this industry, the group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

The asset-liability ratios as at 31 December 2016 and 31 December 2015 were as follows:

	31 December 2016	31 December 2015 (restated)
Total liabilities	91,645,999	81,814,364
Total assets	119,210,734	107,471,949
Gearing ratio	77%	76%

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2016	31 December 2015
Cash on hand	5	4
Bank deposits	7,106,094	6,949,824
Total	7,106,099	6,949,828

As at 31 December 2016, bank deposits include security deposits for certain mortgage of RMB500,000,000 (31 December 2015: RMB500,000,000). The Group has classified such amount to restricted bank deposits.

(2) Trade receivables

	31 December 2016	31 December 2015
Trade receivables	1,910	160
Less: provisions for bad debt	–	–
Net	1,910	160

(a) The aging of trade receivables is analyzed as follows:

	31 December 2016	31 December 2015
Within 1 year	1,750	–
1 to 2 years	–	–
2 to 3 years	–	–
Over 3 years	160	160
Total	1,910	160

As at 31 December 2016, trade receivables to RMB160,000 (31 December 2015: RMB160,000,000) was overdue but not impaired. Based on the analysis of history credit, the Company thought it could be collected. The aging of it is analyzed as follows:

	31 December 2016	31 December 2015
Over 3 years	160	160

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(2) Trade receivables (Continued)

(b) The trade receivables classified by their categories are analyzed as follows:

	31 December 2016				31 December 2015			
	Carrying amount	Provisions for bad debts		Carrying amount	Provisions for bad debts			
	Amount	Of total amount %	Of the provision %	Amount	Of total amount %	Of the provision %		
Individually significant and subject to separate assessment for provision for bad debts	1,910	100%	–	0%	160	100%	–	0%

(3) Other receivables

	31 December 2016	31 December 2015
Receivables due from subsidiaries (i)	46,449,297	36,185,170
Receivables due from joint ventures	228	–
Receivables due from associates	59,156	49,724
Tender bonds and deposits	16,900	17,000
Consideration receivable due from subsidiaries' equity transaction	–	546,229
Others	23,695	41,505
Total	46,549,276	36,839,628
Less: provisions for bad debts	(24,000)	(24,000)
Net	46,525,276	36,815,628

(i) As at 31 December 2016, the loans from the Company to certain subsidiaries amounted to RMB630,000,000 with interest rate of 4.35% and RMB495,214,000 with interest of 10%, unmortgaged and unguaranteed, and with no fixed maturity date.

As at 31 December 2015, RMB1,354,454,000 were the loans from the Company to certain subsidiaries with interest rate of 6.60%, unmortgaged and unguaranteed, and with no fixed maturity date.

Except for the receivables above, the other receivables due from subsidiaries were interest free, unmortgaged and unguaranteed, and with no fixed maturity date.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Other receivables (Continued)

(a) The aging of other trade receivables is analyzed as follows:

	31 December 2016	31 December 2015
Within 1 year	34,756,345	25,387,149
1 to 2 years	9,266,266	6,546,599
2 to 3 years	1,439,126	1,030,325
Over 3 years	1,087,539	3,875,555
Total	46,549,276	36,839,628

As at 31 December 2016 and 31 December 2015, there is no overdue but not impaired other trade receivables.

(b) The other receivables classified by their categories are analyzed as follows:

	31 December 2016				31 December 2015			
	Book balance		Provision for impairment		Book balance		Provision for impairment	
	Amount	Of total amount %	Amount	Of the provision %	Amount	Of total amount %	Amount	Of the provision %
Receivables subject to provision for bad debts on the grouping basis – Group of related parties	46,508,681	100	-	-	36,234,894	98	-	-
Receivables subject to separate provision with no similar credit characteristic	16,595	-	-	-	580,734	2	-	-
Not individually significant but subject to separate assessment for provision for bad debts	24,000	-	(24,000)	100	24,000	-	(24,000)	100
Total	46,549,276	100	(24,000)	0.1	36,839,628	100	(24,000)	0.1

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(4) Available-for-sale financial assets

	31 December 2016	31 December 2015
At fair value		
— Available-for-sale equity instruments	—	16,444
At cost		
— Available-for-sale equity instruments	70,000	70,000
Less: impairment provision	—	—
Net	70,000	86,444

The information related to available-for-sale financial assets refers to Note 4(10).

(5) Long-term receivables

	31 December 2016	31 December 2015
Financial Street Hotel	66,706	323,075

(6) Long-term equity investments

	31 December 2016	31 December 2015
Subsidiaries (a)	4,605,939	3,103,174
Joint ventures (b)	187,061	171,432
Associates (c)	203,783	197,144
Subtotal	4,996,783	3,471,750
Less: impairment of long-term equity investment	—	—
Net	4,996,783	3,471,750

There is no significant restriction on sale of the long-term equity investments and collection of the investment income for the Company.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(a) Subsidiaries

	31 December 2015	Changes in this year				31 December 2016	Provision for impairment balance	Dividends declared in this year
		Increase in investment	Decrease in investment	Provisions for impairment	Others			
Capital Chaoyang	734,095	-	-	-	-	734,095	-	-
Rongjin Company	21,968	-	-	-	-	21,968	-	-
IFC	20,480	-	-	-	-	20,480	-	-
Central Plaza	39,466	-	-	-	-	39,466	-	-
Jindu Company	369,970	-	-	-	-	369,970	-	-
Beijing Xinzi	642,625	-	-	-	-	642,625	-	74,000
Anhua Shiji	136,303	-	-	-	-	136,303	-	-
Shangboya	30,000	-	-	-	-	30,000	-	-
Shangbodi	15,300	-	(15,300)	-	-	-	-	-
Jiangsu Capital	60,375	-	-	-	-	60,375	-	-
Capital Chengdu	150,000	-	-	-	-	150,000	-	7,500
Sunshine City	82,766	-	-	-	-	82,766	-	-
Wuxi Xindong	100,000	-	-	-	-	100,000	-	-
Capital (Chengdu) Investment Co., Ltd.	5,000	-	-	-	-	5,000	-	-
Capital (Tianjin) Investment Co., Ltd.	5,000	-	-	-	-	5,000	-	489,500
Beijing Ruiyuan Fengxiang Real Estate Development	10,000	-	-	-	-	10,000	-	-
Tianjin Eco City Jiaming Ronghe Development Co., Ltd.	60,000	-	-	-	-	60,000	-	18,000
Ruiyuan Fengji	10,000	-	-	-	-	10,000	-	-
Chuangxin Jianye	50,000	-	(50,000)	-	-	-	-	-
Xinyuan Chengye	1,000	-	(1,000)	-	-	-	-	-
Capital Nanjing Investment Co., Ltd.	5,000	-	-	-	-	5,000	-	24,500
Capital Guoxin	100,000	-	-	-	-	100,000	-	-
Haikou Capital Xinye Investment Co., Ltd.	10,000	-	-	-	-	10,000	-	-
BECL	67,296	-	-	-	-	67,296	-	-
Shanghai Zhengheng	10,000	-	-	-	-	10,000	-	41,000
Beijing Chuangyuan Botao Architecture Design Co., Ltd.	5,000	-	-	-	-	5,000	-	-
Beijing Xinyuan Huaifu Investment and Management Co., Ltd.	5,000	-	-	-	-	5,000	-	304,500
Beijing Hengyuan Yinxing Investment and Management Co., Ltd.	5,000	-	-	-	-	5,000	-	-
Beijing Dongqi Jinzhao Infrastructure Investment Co., Ltd.	30,000	-	-	-	-	30,000	-	-
Zhongzhi Dingfu	100,000	-	-	-	-	100,000	-	-
Yongyuan Jintai	216,530	-	-	-	-	216,530	-	-
Lehui Life (Beijing) Technology Service Co., Ltd.	5,000	-	-	-	-	5,000	-	-
Juyuan Xincheng Investment	-	500,000	-	-	-	500,000	-	-
Shenzhen Investment	-	5,000	-	-	-	5,000	-	-
Donghuan Xinrong	-	1,064,065	-	-	-	1,064,065	-	-
Total	3,103,174	1,569,065	(66,300)	-	-	4,605,939	-	959,000

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(b) Joint ventures

	Changes in this year									31 December 2016	Provisions for impairment balance
	31 December 2015	Increase in investment	Decrease in investment	Share of net profit/ (losses)	Share of other comprehensive income	Other equity changes	Cash dividend declared	Provisions for impairment	Others		
Beijing Wanzhu	165,546	-	-	10,359	-	-	(120,000)	-	-	55,905	-
Tonghua Qiangyu	5,886	-	-	(5,886)	-	-	-	-	-	-	-
Zhuhai Hengqin Fund Management Company	-	-	-	53,776	-	-	-	-	-	53,776	-
Shangbodi(i)	-	15,300	-	15,519	-	-	-	-	46,561	77,380	-
Total	171,432	15,300	-	73,768	-	-	(120,000)	-	46,561	187,061	-

- (i) In March 2016, the Company entered into an agreement with Huitian Weiye to control the company jointly. Upon completing amending the article of the company, Shangbodi became the joint venture of the Company. The Company changes the accounting methods of the long-term equity investment on Shangbodi from cost method to equity method accordingly, and retroactively recognized the investment income based on the share portion from the net profit of the investee in the previous years by the equity method amounting to RMB46,561,000. In 2016, the investment income amounted to RMB15,519,000 was recognized based on the share portion.

(c) Associates

	Changes in this year									31 December 2016	Provisions for impairment balance
	31 December 2015	Increase in investment	Decrease in investment	Share of net profit/ (losses)	Share of other comprehensive income	Other equity changes	Cash dividend declared	Provisions for impairment	Others		
Golden Net	6,904	-	-	6,338	-	-	-	-	-	13,242	-
Yangguangyuan	190,240	-	-	301	-	-	-	-	-	190,541	-
Financial Street Hotel (Note 4(11))	-	-	-	(9,407)	9,407	-	-	-	-	-	-
Total	197,144	-	-	(2,768)	9,407	-	-	-	-	203,783	-

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(7) Fixed assets

	Buildings	Motor vehicles	Office equipment	Total
Cost				
31 December 2015	72,925	19,224	12,434	104,583
Increase	–	–	705	705
Purchase	–	–	705	705
Decrease	–	(608)	–	(608)
Disposal and retirement	–	(608)	–	(608)
31 December 2016	72,925	18,616	13,139	104,680
Accumulated depreciation				
31 December 2015	(17,319)	(18,455)	(12,103)	(47,877)
Increase	(1,742)	(239)	(754)	(2,735)
Accrument	(1,742)	(239)	(754)	(2,735)
Decrease	–	608	–	608
Disposal and retirement	–	608	–	608
31 December 2016	(19,061)	(18,086)	(12,857)	(50,004)
Provision for impairment				
31 December 2015	–	–	–	–
Increase	–	–	–	–
Decrease	–	–	–	–
31 December 2016	–	–	–	–
Net book value				
31 December 2016	53,864	530	282	54,676
31 December 2015	55,606	769	331	56,706

In 2016, RMB2,735,000 (2015: RMB3,372,000) of depreciation expense charged in cost of administrative expense.

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(8) Taxes payable

	31 December 2016	31 December 2015
VAT payable	12,426	–
Land appreciation tax payable	20	20
Business tax payable	–	1,959
Others	10,102	177
Total	22,548	2,156

(9) Other payables

	31 December 2016	31 December 2015
Payables to subsidiaries	15,325,731	16,583,522
Payables to joint ventures	105,689	830,726
Other payables relating to operations	984,345	71,499
Total	16,415,765	17,485,747

(10) Long-term borrowings

	Currency	31 December 2016	31 December 2015
Unsecured borrowings	RMB	3,790,000	3,990,000
Secured borrowings including:			
– Guaranteed	RMB	7,200,000	8,200,000
– Pledged		500,000	–
– Guaranteed, mortgaged	RMB	–	210,000
Subtotal		11,490,000	12,400,000
<i>Less: Long-term borrowings due within 1 year, including:</i>			
Unsecured borrowings	RMB	(1,080,000)	(600,000)
Secured borrowings including:			
– Guaranteed	RMB	(2,500,000)	(1,000,000)
– Guaranteed, mortgaged	RMB	–	(210,000)
Subtotal		(3,580,000)	(1,810,000)
Long-term borrowings-net		7,910,000	10,590,000

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(11) Other equity instruments

In July 2016, Xinghan Assets set up a special asset management plan to raise a total amount of RMB3,000,000,000. According to the Investment Agreement, the raised funds are not subject to any fixed repayment terms. Unless the Company declares dividend, the Company may elect to defer the distribution without any frequency limitations. In addition, there is no contracted obligation for the Company to repay the principal and distribute the interests. As a result, the investment from the asset management plan complied the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends will be treated as profit distribution.

As at 31 December 2016, RMB2,895,291,000 was recognized as other equity instrument after deducting the inevitable dividend payable in the foreseeable future.

(12) Capital reserve

	31 December 2015	Increase	Decrease	31 December 2016
Share premium	3,347,206	–	(233,765)	3,113,441

	31 December 2014	Increase	Decrease	31 December 2015
Share premium	1,279,308	2,067,898	–	3,347,206

(13) Other comprehensive income

	Share of other comprehensive income in the investees cannot be reclassified into profit or loss at equity method	Share of other comprehensive income in the investees can be reclassified into profit or loss at equity method	Changes in fair value of available- for-sale financial assets	Total Other comprehensive income
As at 31 December 2014	–	–	5,819	5,819
Changes in 2015	–	–	2,268	2,268
As at 31 December 2015	–	–	8,087	8,087
Changes in 2016	–	9,407	(8,087)	1,320
As at 31 December 2016	–	9,407	–	9,407

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(14) Revenue and cost of sales

	2016	2015
Revenue from main operations(a)	20,168	19,849
Revenue from other operations(b)	1,750	25,698
Total	21,918	45,547

	2016	2015
Cost of sales from main operations(a)	–	–
Cost of sales from other operations(b)	–	1,958
Total	–	1,958

(a) Revenue and cost of sales from main operations

	2016		2015	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Consulting services	20,168	–	19,849	–

(b) Revenue and cost from other operations

	2016		2015	
	Revenue from other operations	Cost from other operations	Revenue from other operations	Cost from other operations
Sales of investment properties	–	–	24,000	1,958
Others	1,750	–	1,698	–
Total	1,750	–	25,698	1,958

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(15) Financial expenses — net

	2016	2015
Interest expense	1,580,966	992,967
Including: Bank borrowings	454,304	466,888
Corporate bonds	627,477	114,555
Other liabilities	499,185	411,524
Less: Capitalized interest expense	—	—
Interest expense — net	1,580,966	992,967
Interest income	(224,465)	(275,335)
Exchange gains or losses — net	6,729	770
Others	22,511	15,441
Net	1,385,741	733,843

Interest expenses analyzed by the maturity of bank and other borrowings are as follows:

	2016		2015	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	454,304	1,126,662	466,888	526,079
Not wholly repayable within five years	—	—	—	—
Total	454,304	1,126,662	466,888	526,079

(16) Expense by nature

Cost of sales, selling and distribution expenses and general and administrative expenses in the income statement classified by nature are as follows:

	2016	2015
Wages, social security and welfare	50,928	112,875
Administrative office expenses	22,892	31,808
Tax expenses	—	1,297
Depreciation and amortization	2,735	3,372
Travel and entertainment expenses	5,701	9,578
Intermediary service fee	10,935	14,286
Marketing expenses	232	944
Audit services expenses	8,679	6,604
Audit related and non-audit services expenses	2,350	1,679
Sales of investment properties	—	1,958
Others	3,647	2,308
Total	108,099	186,709

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(17) Investment income

	2016	2015
Share of net profit or loss of investees under equity method	71,000	161,922
Gains from disposal of subsidiaries	651,574	377,863
Investment income from disposal of available-for-sale financial assets	14,452	–
Dividend income from available-for-sale financial assets	1,845	2,390
Dividends distribution from subsidiaries	959,000	1,567,724
Others	(119)	(15,100)
Total	1,697,752	2,094,799

The Company does not have significant restrict in investment income repatriation.

The investment income of the Company in 2016 from listed investment and unlisted investment were RMB14,452,000 and RMB1,683,300,000 respectively (2015: Nil and RMB2,094,799,000).

(18) Income tax expenses

	2016	2015
Current income tax calculated based on tax law and related regulations	–	–
Deferred income tax	(209,919)	(116,305)
Total	(209,919)	(116,305)

Reconciliations from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses are listed below:

	2016	2015
Total profit	223,717	1,228,914
Income tax expenses calculated at applicable tax rates	55,929	307,229
Share of net profit of joint ventures and associates under equity method	(17,750)	(40,481)
Profit not subject to tax	(239,750)	(382,219)
Distribution eligible for tax deduction	(8,894)	–
Expenses, costs and losses not deductible for tax purposes	546	411
Others	–	(1,245)
Income tax expenses	(209,919)	(116,305)

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(19) Notes to cash flow statement

Reconciliation from profit for the year to cash flows from operating activities

	2016	2015
Profit for the year	433,636	1,345,219
Add: Depreciation of fixed assets	2,735	3,372
Disposal of fixed assets, intangible assets and other long-term assets	(118)	(22,042)
Interest expenses	1,469,436	800,637
Investment income (Note 16(17))	(1,697,752)	(2,094,799)
Increase in deferred income tax assets	(209,918)	(116,305)
Increase in inventories	–	(57)
Decrease in operating payables	(2,104,463)	(2,620,839)
Increase in operating receivables	(8,208,853)	(9,586,175)
Net cash flows from operating activities	(10,315,297)	(12,290,989)

(a) Net change in cash and cash equivalent

	2016	2015
Cash at the end of the year	6,606,099	6,449,828
Less: cash at the beginning of the year	(6,449,828)	(2,512,139)
Net increase in cash and cash equivalent	156,271	3,937,689

(b) Cash and cash equivalent

	31 December 2016	31 December 2015
Cash at bank and on hand	7,106,099	6,949,828
Less: restricted cash	(500,000)	(500,000)
Cash and cash equivalent at the end of period	6,606,099	6,449,828

Notes to the Financial Statements

For the year ended 31 December 2016 (All amounts in thousands of RMB unless otherwise stated)

17. NET CURRENT ASSETS

	31 December 2016 Consolidated	31 December 2015 Consolidated (restated)	31 December 2016 Company	31 December 2015 Company
Current assets	94,339,565	85,071,569	53,734,150	43,863,408
Less: current liabilities	(47,802,295)	(35,609,523)	(24,778,581)	(20,787,722)
Net current assets	46,537,270	49,462,046	28,955,569	23,075,686

18. TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2016 Consolidated	31 December 2015 Consolidated (restated)	31 December 2016 Company	31 December 2015 Company
Total assets	119,210,734	107,471,949	59,293,233	47,959,687
Less: current liabilities	(47,802,295)	(35,609,523)	(24,778,581)	(20,787,722)
Total assets less current liabilities	71,408,439	71,862,426	34,514,652	27,171,965



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