瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 272)

Announcement of 2015 Annual Results

HIGHLIGHTS

- For the year ended 31 December 2015, the Group recorded turnover of RMB6,472 million, compared to RMB10,249 million in 2014. The decline was mainly due to a lower residential sales contribution from Shanghai. In contrast, rental and related income (excluding the income from hotel operations) increased by 20% to RMB1,539 million for 2015, from RMB1,278 million in 2014, backed by growing income contributions from THE HUB as it progressively commenced operations from 2014, as well as higher occupancy rates and positive rental reversion recorded for the Group's existing portfolio.

- In addition to the property sales recognised as turnover, the Group also completed RMB7,907 million of property sales being recognised as disposal of investment properties, disposal of hotel properties, disposal of equity in subsidiaries holding commercial properties and turnover of associates in 2015, including the sales of 1 & 2 Corporate Avenue in Shanghai. Inclusive of these property disposals, recognised sales totalled RMB12,287 million, as compared to RMB13,467 million in 2014.

- Profit for the year was RMB1,767 million in 2015 compared to RMB2,485 million in 2014. Profit attributable to shareholders was RMB788 million in 2015, compared to RMB1,778 million in 2014. A large portion of the decline was attributable to the depreciation of RMB against the Group's USD and HKD denominated debt since January 2015, the Group recorded a loss (both realised and unrealised) of RMB1,310 million in 2015.

- Indeed, the Group's core earnings increased significantly by 438% to RMB2,423 million in 2015, from RMB450 million in 2014, backed by the substantial contribution from the disposal of 1 & 2 Corporate Avenue in Shanghai. To unlock the value of its portfolio, the Group will continue to explore opportunities to dispose of its commercial properties.

- Contracted sales for 2015, including contributions from its Dalian associates and Shanghai Taipingqiao Lot 116 joint venture, increased by 121% to RMB21,513 million compared to 2014. A total gross floor area ("GFA") of 631,000 square metres ("sq.m.") was sold and pre-sold at an ASP of RMB34,100 per sq.m.. As of 31 December 2015, total locked-in sales including disposal of commercial properties for delivery in 2016 and beyond, reached RMB13,315 million (including contributions from its Dalian associates and Shanghai Taipingqiao Lot 116 joint venture), with a total GFA of 403,000 sq.m..

- As of 31 December 2015, the Group's total assets were RMB117,170 million. The Group also recorded a fair value gain of RMB2,970 million, representing 6% of its RMB48,897 million of the remaining investment properties portfolio at valuation as of 31 December 2015.

- The Group's total cash and bank deposits were RMB10,614 million and the net gearing ratio was 81%, an increase of 2% over 2014.

Website: www.shuionland.com

BUSINESS REVIEW – Executive Summary

For the year ended 31 December 2015, the Group recorded turnover of RMB6,472 million, with property sales and rental and related income from investment properties accounting for RMB4,380 million or 68% and RMB1,612 million or 25%, respectively, of total turnover. RMB424 million of turnover was contributed by the construction business acquired in 2014. The remaining 1%, or RMB56 million, was generated from other businesses.

In addition to the property sales recognised as turnover, the Group also completed RMB7,907 million of property sales being recognised as disposal of equity in subsidiaries mainly for 1 & 2 Corporate Avenue in Shanghai, disposal of hotel properties in THE HUB, turnover of associates and disposal of investment properties. Going forward, the Group will continue to dispose of investment properties and undertake *en-bloc* sales of commercial properties at appropriate time to unlock the value of the Group's commercial properties as well as to increase asset turnover and capital recycling.

Gross profit decreased by 51% to RMB1,689 million in 2015 compared to RMB3,446 million in 2014. Gross profit margin decreased 8 percentage points to 26%, as the turnover recognised in 2015 was mainly contributed by Chongqing and Foshan projects and the newly acquired construction business, which have lower gross profit margins compared to higher contribution from the higher margin property sales of Shanghai Rui Hong Xin Cheng ("RHXC") in 2014.

Contracted property sales of the Group jumped 121% to RMB 21,513 million in 2015 compared to RMB9,750 million in 2014. Residential property sales accounted for 39% and the remaining 61% was contributed by commercial property sales. Average Selling Price ("ASP") increased by 54% to RMB34,100 per sq.m. compared to RMB22,100 per sq.m. in 2014.

In 2015, the Group recorded an increase in fair value in its remaining investment property portfolio, totalling RMB2,970 million. The increase was mainly contributed by the increase in fair value of Shanghai Xintiandi & Xintiandi Style, 3 Corporate Avenue and Shui On Plaza located in the Shanghai Taipingqiao project, which accounted for a total of RMB1,624 million or 55% of total increase in fair value for 2015. The remaining was mainly contributed by the increase in fair value of the completed investment properties located in THE HUB and Shanghai Knowledge and Innovation Community ("KIC"). The total increase represents 6% of the total carrying value of the Group's remaining investment property portfolio at valuation of RMB48,897 million as of 31 December 2015. A total leasable and saleable gross floor area ("GFA") of 1,698,000 square metres ("sq.m.") of investment properties held by the Group was carried at valuation, accounting for 26% of the total landbank of the Group (excluding landbank of Dalian associates) as of 31 December 2015.

In August 2015, the Group divested the 1 & 2 Corporate Avenue in Shanghai Taipingqiao for RMB6,601 million at 37% premium over the carrying value of RMB4,805 million as of 31 December 2014. In December 2015, the Group entered into an agreement to sell 3 Corporate Avenue in Shanghai Taipingqiao for RMB5,700 million. These demonstrate the Group's ability to unlock and realise the value of the assets in accordance with its fine-tuned business strategy. In line with the priority the Group has placed on maximising asset value and returns through the disposal of its mature commercial assets, the Group decided not to pursue near term IPO plans for China Xintiandi ("CXTD"). Under current capital market conditions, the Group believe an IPO is not the most optimal way to realise the full valuation of its CXTD portfolio. Following this decision, the Group has proceeded to integrate the corporate functions of Shui On Land and CXTD. The Group expects the consolidation of these functions to increase efficiency and reduce costs.

Profit for the year was RMB1,767 million in 2015 compared to RMB2,485 million in 2014. Profit attributable to shareholders was RMB788 million in 2015 compared to RMB1,778 million in 2014. A large portion of the decline was attributable to the depreciation of RMB against the Group's USD and HKD denominated debt since January 2015, the Group recorded a loss (both realised and unrealised) of RMB1,310 million in 2015.

Indeed, the Group's core earnings increased significantly by 438% to RMB2,423 million in 2015, from RMB450 million in 2014, backed by the substantial contribution from the disposal of 1 & 2 Corporate Avenue in Shanghai. To unlock the value of its portfolio, the Group will continue to explore opportunities to dispose of its commercial properties.

As of 31 December 2015, total locked-in sales including disposal of commercial properties and contributions from its Dalian associates and Shanghai Taipingqiao Lot 116 joint venture, for delivery in 2016 and beyond, was RMB13,315 million, with a total GFA of 403,000 sq.m..

As of 31 December 2015, the Group's total assets were RMB117,170 million. The Group's total cash and bank deposits were RMB10,614 million and the net gearing ratio was 81%, an increase of 2% over 2014.

Property Sales

Recognised Property Sales

For the year 2015, total recognised property sales, including property sales recognised as turnover, disposal of investment properties, disposal of hotel properties, disposal of equity in subsidiaries holding commercial properties and turnover of associates, was RMB12,287 million (after deduction of business tax and other surcharges/taxes, if applicable), representing a decrease of 9%, for a total GFA of 478,190 sq.m.. ASP increased by 5% to RMB27,200 per sq.m.. The changes were mainly due to a change in property sales mix.

Property sales (after deduction of business tax and other surcharges/taxes, if applicable) recognised as turnover decreased by 49% to RMB4,380 million, on a total GFA of 309,890 sq.m.. ASP decreased by 48% to RMB15,000 per sq.m.. The gross profit margin of the recognised property sales as turnover was 11% in 2015 compared to 29% in 2014. The decrease in ASP and gross profit margin were mainly due to changes in the composition of property sales and profit contributions from different projects. For example, property sales (excluding carparks and others) recognised as turnover in 2015 contributed by Shanghai RHXC was only RMB126 million or 3% of the total property sales, compared to RMB5,260 million or 62% of total property sales recognised as turnover in 2014.

Property sales recognised as disposal of equity in subsidiaries holding commercial properties amounting to RMB6,601 million was contributed by the *en-bloc* sales of 1 & 2 Corporate Avenue in Shanghai Taipingqiao with a total GFA of 83,200 sq.m.. Property sales recognised as disposal of hotel properties amounting to RMB910 million was contributed by the *en-bloc* sales of hotel in THE HUB with a total GFA 45,000 sq.m..

Property sales recognised as disposal of investment properties amounting to RMB92 million included the *strata-title commercial property* sales of various street front retail space in Chongqing, Shanghai RHXC and offices in Shanghai KIC with a total GFA of 3,700 sq.m..

Recognised property sales for Dalian Tiandi stood at RMB304 million, and its related profit or loss was recorded in the share of results of associates.

The table below summarises by project the recognised sales (stated after the deduction of business tax of 5% and other surcharges/taxes, if applicable) for 2015 and 2014:

	2015			2014			ASP
Project	**Sales revenue**	**GFA sold**	**ASP[1]**	**Sales revenue**	**GFA sold**	**ASP[1]**	**Growth rate**
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.	%
Shanghai Taipingqiao							
1 & 2 Corporate Avenue	6,601	83,200	79,300	-	-	-	-
Langham Xintiandi Hotel	-	-	-	1,641	34,200	50,800	-
THE HUB Hotel	910	45,000	21,400	-	-	-	-
Shanghai RHXC							
Residential	126	2,500	53,400	5,260	115,800	48,100	11%
Retail	14	300	49,500	-	-	-	-
ShanghaiKIC							
Office	21	800	27,800	72	2,900	26,300	6%
Residential	8	200	42,400	47	1,400	35,600	19%
KIC Corporate Avenue Office	617	24,500	26,700	101	3,400	31,500	(15%)
Wuhan Tiandi							
2 Corporate Avenue (Lot A2)	883	42,500	22,000	-	-	-	-
Site B Residential	-	-	-	1,263	56,400	23,700	-
Site B Retail	13	290	48,000	-	-	-	-
Chongqing Tiandi							
Residential [2]	1,252	144,900	11,100	1,016	110,100	11,900	(7%)
Office & Retail	96	3,900	26,100	2,297	122,600	19,800	32%
Foshan Lingnan Tiandi							
Townhouses	186	7,900	25,000	96	2,800	36,400	(31%)
Low/mid/high-rises	927	84,800	11,600	326	21,300	16,200	(28%)
Retail	67	1,000	71,100	86	1,400	65,200	9%
Subtotal	**11,721**	**441,790**	**28,100**	**12,205**	**472,300**	**27,400**	**3%**
Carparks and others	262	-	-	405	-	-	
Dalian Tiandi[3]							
Mid-/high-rises	275	33,900	8,600	799	76,200	11,100	(23%)
Villas	29	2,500	12,300	58	3,900	15,800	(22%)
Total	**12,287**	**478,190**	**27,200**	**13,467**	**552,400**	**25,800**	**5%**
Recognised as:							
- property sales in turnover of the Group[4]	4,380	309,890	15,000	8,543	313,500	28,900	(48%)
- disposal of investment properties[4]	92	3,700	26,400	2,426	124,600	20,600	28%
- disposal of hotel properties	910	45,000	21,400	-	-	-	-
- disposal of equity in subsidiaries holding commercial properties	6,601	83,200	79,300	1,641	34,200	50,800	56%
- turnover of associates	304	36,400	8,900	857	80,100	11,300	(21%)
Total	**12,287**	**478,190**	**27,200**	**13,467**	**552,400**	**25,800**	**5%**

[1] *The calculation of ASP per sq.m. is based on gross sales revenue before the deduction of business tax and other surcharges/taxes.*
[2] *ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.*
[3] *Dalian Tiandi is a project developed by associates of the Group.*
[4] *Sales of commercial properties are recognised as "turnover" if the properties concerned are designated for sale prior to the commencement of development. Sales of commercial properties previously designated as held for capital appreciation or rental income are recognised as "disposal of investment properties".*

Contracted Property Sales

Contracted property sales of the Group jumped 121% to RMB 21,513 million in 2015 compared to RMB9,750 million in 2014. Residential property sales accounted for 39% and the remaining 61% was contributed by commercial property sales. ASP increased by 54% to RMB34,100 per sq.m. compared to RMB22,100 per sq.m. in 2014.

Contracted property sales from residential properties and carparks (including those from Dalian associates and Shanghai Taipingqiao Lot 116 joint venture) was RMB8,335 million, an increase of 50% over RMB5,544 million in 2014. The increase was mainly due to increased contributions from residential properties sales in Shanghai projects amounting to RMB2,939 million in 2015 compared to RMB1,430 million in 2014. This included the successful new launches of the first batch of The Upper at Shanghai RHXC (Lot 9) and the first batch of Lakeville Luxe at Shanghai Taipingqiao (Lot 116). Sales performances of Wuhan, Chongqing, Foshan and Dalian also picked up, riding on the stimulus policies announced by the Central Government of China, including the relaxation of Home Purchase Restriction Policies in Wuhan, Chongqing, Foshan and Dalian in the first half of 2015. Contracted residential property sales in these four cities increased by 36%, 36%, 47% and 17%, respectively, compared to 2014.

Both ASPs of Shanghai RHXC and Wuhan Tiandi residential apartments increased by 27%, while the ASP of Foshan remained stable compared to last year. ASP of Chongqing decreased for 12% due to higher proportion of contracted sales was generated from the sales of bareshell apartments which were sold at a lower selling price compared to fully furnished apartments and ASP of Dalian decreased by 15% due to sluggish condition in the market.

In 2015, contracted commercial property sales comprising a total GFA of 207,100 sq.m. achieved record sales of RMB13,178 million, an increase of 213% compared to RMB4,206 million in 2014. This included 1 & 2 Corporate Avenue, comprising a total GFA of 83,200 sq.m., which were disposed for RMB6,601 million. 3 Corporate Avenue (Lot 127) comprising an office building with a GFA of 56,000 sq.m., and a retail podium with a GFA of 31,000 sq.m., was disposed in December 2015 for RMB5,700 million. 1 & 2 KIC Corporate Avenue offices at Shanghai KIC was sold to local institutional investors, and various office and retail properties located in Shanghai, Wuhan, Chongqing and Foshan were strata-titled and sold to individual buyers.

In addition to the contracted property sales outlined above, as of 31 December 2015, a total GFA of 66,600 sq.m., amounting to a total value of RMB2,138 million, was subscribed and subject to formal sales and purchase agreements.

The table below provides an analysis by project of contracted sales (stated before the deduction of business tax of 5% and other surcharges/taxes) for 2015 and 2014:

Project	2015 Contracted amount	2015 GFA sold	2015 ASP	2014 Contracted amount	2014 GFA sold	2014 ASP	ASP Growth rate
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.	%
Residential property sales:							
Shanghai Taipingqiao							
Lakeville Luxe (Lot 116)[1]	380	3,000	126,700	-	-	-	-
Shanghai RHXC							
The Upper & The View	2,559	37,200	68,800	1,421	26,300	54,000	27%
Shanghai KIC							
Residential	-	-	-	9	200	45,000	-
Wuhan Tiandi							
Site B Residential	2,027	58,900	34,400	1,489	55,100	27,000	27%
Chongqing Tiandi							
Residential[2]	1,606	186,700	10,500	1,179	121,200	11,900	(12%)
Foshan Lingnan Tiandi							
Low-/mid-/high-rises	835	68,900	12,100	538	45,300	11,900	2%
Townhouses	100	4,300	23,300	99	4,200	23,600	(1%)
Dalian Tiandi[3]							
Mid-/high-rises	548	62,800	8,700	440	43,000	10,200	(15%)
Villas	27	2,300	11,700	51	3,700	13,800	(15%)
Carparks and others	253	-	-	318	-	-	
Subtotal for residential property sales	**8,335**	**424,100**	**19,700**	**5,544**	**299,000**	**18,500**	**6%**
Commercial property sales:							
Shanghai Taipingqiao							
1 & 2 Corporate Avenue	6,601	83,200	79,300	-	-	-	-
3 Corporate Avenue	5,700	87,300	65,300	-	-	-	-
Langham Xintiandi Hotel	-	-	-	1,739	34,200	50,800	-
Shanghai RHXC							
Retail	65	1,260	51,600	-	-	-	-
THE HUB							
THE HUB Hotel	-	-	-	965	45,000	21,400	-
Shanghai KIC							
Office	43	1,450	29,700	186	6,200	30,000	(1%)
1 & 2 KIC Corporate Avenue (Offices)	601	22,800	26,400	-	-	-	-
Wuhan Tiandi							
Site B Retail	14	290	48,000	-	-	-	-
2 Corporate Avenue (Offices)	-	-	-	939	43,800	21,400	-
Chongqing Tiandi							
Office	27	2,200	12,300	-	-	-	-
Retail	70	2,600	26,900	300	11,700	25,600	5%
Foshan Lingnan Tiandi							
Retail	16	200	80,000	77	1,100	70,000	14%
Kindergarten	41	5,800	7,100	-	-	-	-
Subtotal for commercial property sales	**13,178**	**207,100**	**63,600**	**4,206**	**142,000**	**29,600**	**115%**
Grand total	**21,513**	**631,200**	**34,100**	**9,750**	**441,000**	**22,100**	**54%**

[1] *Shanghai Taipingqiao Lot 116 is a project developed by a joint venture of the Group.*
[2] *ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.*
[3] *Dalian Tiandi is a project developed by associates of the Group.*

Residential GFA Available for Sale and Pre-sale in 2016

The Group has approximately 631,600 sq.m. of residential GFA spanning six projects, available for sale and pre-sale during 2016, as summarised below:

Project		**Available for sale and pre-sale in 2016**
		GFA in sq.m.
Shanghai Taipingqiao	Lakeville Luxe (Lot 116) (High-rises)	84,600
Shanghai RHXC	The Upper (Lot 9) (High-rises)	48,400
	The Gallery (Lot 2) (High-rises)	103,700
Wuhan Tiandi	La Riva (Lot B14) (Low-/mid-/high-rises)	12,100
	Park View (Lot B5) (High-rises)	37,800
Chongqing Tiandi	The Riviera V (Lot B18) (High-rises)	700
	The Riviera VI (Lot B16) (High-rises)	19,600
	The Riviera VII (Lot B9) (High-rises)	29,900
	The Riviera VIII (Lot B6) (Mid-/high-rises)	110,600
Foshan Lingnan Tiandi	The Legendary II (Lot 15) (Townhouses)	1,300
	Park Royale (Lot 6) (High-rises)	11,800
	The Imperial (Lot 16) (Low-rises)	9,400
	The Metropolis (Lot 18) (High-rises)	18,300
Dalian Tiandi	Huangnichuan (Mid-/high-rises)	62,300
	Huangnichuan (Villas)	10,900
	Hekou Bay (Mid-/high-rises)	56,800
	Hekou Bay (Service Apartments)	13,400
Total		**631,600**

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

Property Development Progress

Property Completed in 2015 and Development Plans for 2016 and 2017

The table below summarises the projects with construction completed in 2015 and construction work that is planned for completion in 2016 and 2017:

Project	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.
Actual delivery in 2015							
Shanghai Taipingqiao	-	56,000	38,000	-	94,000	32,000	126,000
Shanghai RHXC	-	-	64,000	16,000	80,000	23,000	103,000
Shanghai KIC	-	5,000	-	-	5,000	-	5,000
THE HUB	-	11,000	3,000	44,000	58,000	4,000	62,000
Wuhan Tiandi	-	42,000	-	-	42,000	3,000	45,000
Chongqing Tiandi	70,000	-	7,000	-	77,000	-	77,000
Foshan Lingnan Tiandi	97,000	15,000	89,000	-	201,000	79,000	280,000
Dalian Tiandi[1]	29,000	-	-	-	29,000	-	29,000
Total	**196,000**	**129,000**	**201,000**	**60,000**	**586,000**	**141,000**	**727,000**
Planned for delivery in 2016							
Shanghai Taipingqiao	88,000	-	-	-	88,000	39,000	127,000
Shanghai RHXC	189,000	-	3,000	-	192,000	76,000	268,000
Shanghai KIC	-	-	-	23,000	23,000	-	23,000
Wuhan Tiandi	89,000	55,000	114,000	-	258,000	148,000	406,000
Chongqing Tiandi	133,000	14,000	15,000	-	162,000	78,000	240,000
Foshan Lingnan Tiandi	-	-	4,000	-	4,000	-	4,000
Dalian Tiandi[1]	78,000	-	13,000	-	91,000	31,000	122,000
Total	**577,000**	**69,000**	**149,000**	**23,000**	**818,000**	**372,000**	**1,190,000**
Planned for delivery in 2017							
Wuhan Tiandi	41,000	-	71,000	-	112,000	78,000	190,000
Chongqing Tiandi	111,000	-	22,000	-	133,000	53,000	186,000
Foshan Lingnan Tiandi	-	-	5,000	-	5,000	-	5,000
Dalian Tiandi[1]	26,000	29,000	1,000	13,000	69,000	51,000	120,000
Total	**178,000**	**29,000**	**99,000**	**13,000**	**319,000**	**182,000**	**501,000**

[1] *Dalian Tiandi is a project developed by associates of the Group.*

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

The following section provides further details of the development progress and completion of each of the projects located in Shanghai, Wuhan, Chongqing, Foshan and Dalian

Shanghai Taipingqiao

Comprising a total GFA of 87,000 sq.m., 3 Corporate Avenue comprises a Grade A office building with a GFA of 56,000 sq.m. and a 31,000 sq.m. high-end shopping mall completed in the first half of 2015. Construction work on Lakeville Luxe (Lot 116) with a total GFA of 88,000 sq.m. commenced in the second half of 2014 (“2H 2014”) and the first batch of pre-sales launched in December 2015. The development is planned to be completed progressively from late 2016.

Shanghai RHXC

The Upper (Lot 9), with a total GFA of 85,000 sq.m. of residential apartments and 2,000 sq.m. of ancillary retail, commenced construction in 2H 2014 and the first batch units were launched for pre-sale in October 2015. The second batch of units were pre-sold in the first quarter of 2016. The development is scheduled for completion in 2016. The Gallery (Lot 2), with a total GFA of 104,000 sq.m. of residential and 1,000 sq.m. of ancillary retail, is scheduled to be launched for pre-sale starting from the first half of 2016 and is scheduled for completion from late 2016. Hall of the Moon (Ruihong Tiandi Lot 3) with a total GFA of 80,000 sq.m. was completed in December 2015. Its opening is planned for late 2016.

Shanghai KIC

A GFA of 5,000 sq.m. of office was completed in 2015. A hotel building located at Lot 311 with a total GFA of 23,000 sq.m. is under construction and is scheduled for completion in 2016.

THE HUB

Construction works of a 5-Star hotel of a total GFA of 44,000 sq.m. and a performance and exhibition centre of 14,000 sq.m. were completed in 2015. The hotel was sold for a consideration of RMB965 million in 2014 and the transaction was completed in 2015.

Wuhan Tiandi

2 Corporate Avenue (Lot A2) at Wuhan Tiandi, comprising a total GFA of 42,500 sq.m., was completed and delivered in 2015. Construction of HORIZON, the shopping mall at Lots A1/A2/A3 with a total GFA of 114,000 sq.m. and 3 Corporate Avenue (Lot A3), with a total GFA of 55,000 sq.m. of office, are under construction and are scheduled for completion in 2016. Construction work for the residential development at La Riva (Lot B14) at Wuhan Tiandi, which has a total GFA of 89,000 sq.m., commenced in 2014 and is planned for completion in 2016.

Construction work of Park View (Lot B5) for a total GFA of 41,000 sq.m. of residential apartments commenced in 2015 and is scheduled for completion in 2017. Park Place (Lot B4/5 Retail) with a total GFA of 71,000 sq.m. of retail, also commenced construction in 2015 and is planned for completion in 2017.

Chongqing Tiandi

The Riviera VI stage 1 (Lot B16 stage 1), with a GFA of 70,000 sq.m. of residential apartments and 7,000 sq.m. of ancillary retail was completed in 2015. The Riviera VI stage 2 (Lot B16 stage 2) and The Riviera VII (Lot B9), with an aggregated GFA of 162,000 sq.m., are currently under construction and are scheduled for completion in 2016. The Riviera VIII (Lot B6) with a total GFA of 125,000 sq.m. commenced construction in 2015 and is scheduled for completion in 2017.

Foshan Lingnan Tiandi

Construction work for a total GFA of 97,000 sq.m. of residential and 16,000 sq.m. of retail at The Metropolis (Lot 18) was completed in 2015. Construction work at NOVA shopping mall at Lot E with a GFA of 73,000 sq.m. of retail and 15,000 sq.m. of office was completed in 2015. It is planned for opening in late 2016.

Dalian Tiandi

At Huangnichuan (Site C of Dalian Tiandi), construction of Lot E02a Phase 1 for a total GFA of 29,000 sq.m. was completed in 2015, with the remaining 60,000 sq.m. under construction scheduled for completion in 2016. At Hekou Bay (Site A of Dalian Tiandi), a total GFA of 87,000 sq.m. of residential, 29,000 sq.m. of office, 14,000 sq.m. of retail and 13,000 sq.m. of service apartments are under construction. They are planned for progressive completion from 2016 to 2018.

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

Investment Property

Rental and related income from investment properties increased by 2% to RMB1,612 million in 2015. Excluding the income from hotel operations, the sum of RMB1,539 million was generated by rental and related income from the investment properties, representing an annual growth rate of 20%. The increase reflected continued leasing progress made at the progressively commenced operations of THE HUB in Shanghai Hongqiao Transportation Hub, and rental growth from the existing completed investment property portfolio.

Occupancy levels of the office property portfolio increased significantly, driven by leasing activity at the office properties of 5, 6 and 7 KIC Corporate Avenue, and THE HUB, reflecting progresses made following their completion and transferred to the completed investment property portfolio in late 2014. In particular, at THE HUB, the combined occupancy rate of the four office towers has reached 80% as of 31 December 2015. New leases executed during the second half of 2015 include Wizwork, Messer, Yi Shang and Jiangsu GMO Hi-Tech, Siding Fund Management and Goodbaby. These tenants joined other well-known corporate tenants such as Acer, Sherwin Williams, Shell, HSBC, Roche Diagnostics, Prosnav, Grundfos and Keyence.

Occupancy levels of the completed retail portfolio also increased, led by robust leasing activities at Hall of the Stars (Ruihong Tiandi Lot 6), 5, 6 and 7 KIC Corporate Avenue, and THE HUB. Occupancy rates of these properties had reached 96%, 74% and 69% respectively and tenants have been moving in since the late 2014 with majority commencing operations in 2015. At THE HUB, the shopping mall with a total leasable GFA of 107,000 sq.m. is planned for and accommodates over 200 shops. Anchor tenants include H&M, GAP, Muji, Emperor UA Cinema and Food Republic Food Court. The shopping mall offers a wide variety of tenants mix with many brands making their first appearance in China or Shanghai including Emperor UA IMAX Cinema (the only IMAX theatre in Hongqiao CBD), Imperial Treasure Super Peking Duck (One of Asian's Top 50 restaurants), Yanjiyou Bookstore (first flagship shop in Shanghai), and the like. Occupancy rate reached 76% as of 31 December 2015, following the soft-opening on 23 September 2015, and an official opening ceremony was held in December 2015.

A total leasable GFA of 236,000 sq.m., representing 17% of total leasable GFA as of 31 December 2015 of the completed investment properties including, 3 Corporate Avenue and THE HOUSE at Shanghai Taipingqiao project, an office building at Shanghai KIC, Hall of the Moon at Shanghai RHXC and NOVA at Foshan Lingnan Tiandi, was newly completed in 2015 and planned for opening in 2016. We expect more rental and related income will be contributed by these newly completed commercial properties in 2016, except 3 Corporate Avenue which was disposed at RMB5,700 million in December 2015 for delivery in 2016.

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

The table below provides an analysis of the rental and related income from investment properties for 2015, 2014 and 2013 and the percentage of leases in GFA by property with lease expiring from 2016 to 2018:

Project	**Product**	**Leasable GFA**	**Rental & related income RMB'million**			**Year on year change**		**Leases expire in % of GFA**		
		sq.m.	**2015**	**2014**	**2013**	**2015**	**2014**	**2016**	**2017**	**2018**
Shanghai Taipingqiao										
Shanghai Xintiandi	**Office/ Retail**	54,000	302	297	295	2%	1%	26%	17%	30%
Xintiandi Style	**Retail**	26,000	82	69	58	19%	19%	26%	33%	21%
1 & 2 Corporate Avenue[1]	**Office/ Retail**	83,000	177	253	245	(30%)	3%	-	-	-
3 Corporate Avenue	**Office/ Retail**	87,000	76	-	-	-	-	-	-	60%
Shui On Plaza[2]	**Office/ Retail**	52,000	146	126	124	16%	2%	8%	74%	18%
Langham Xintiandi Hotel Retail Portion[3]	**Retail**	-	-	14	15	-	(7%)	-	-	-
THE HUB										
Office Towers 1,2,3 & 5	**Office/ Retail**	94,000	139	39	-	256%	-	2%	9%	14%
The Mall & Xintiandi	**Retail**	129,000	47	-	-	-	-	0%	0%	10%
Shanghai RHXC[4]	**Retail**	65,000	73	65	58	12%	12%	13%	18%	7%
Shanghai KIC[2]	**Office/ Retail**	219,000	270	219	190	23%	15%	22%	18%	28%
Hangzhou Xihu Tiandi[3]	**Retail**	-	-	8	17	-	(53%)	-	-	-
Wuhan Tiandi	**Retail**	46,000	92	74	60	24%	23%	28%	14%	19%
Chongqing Tiandi	**Retail**	134,000	40	33	21	21%	57%	4%	3%	11%
Foshan Lingnan Tiandi	**Retail**	137,000	95	81	68	17%	19%	8%	8%	9%
Total		**1,126,000[4]**	**1,539**	**1,278**	**1,151**	**20%**	**11%**	**12%**	**16%**	**20%**

[1] *1 & 2 Corporate Avenue were disposed on 31 August 2015 and therefore only eight months rental and related income was reflected.*

[2] *A total GFA of 14,000 sq.m. was occupied as offices by the Group. They are located at Shanghai Shui On Plaza (8,000 sq.m.) and Shanghai KIC (6,000 sq.m.).*

[3] *Shanghai Langham Xintiandi Hotel Retail Portion and Hangzhou Xihu Tiandi were disposed in 2014 and were excluded from leasable GFA calculation in this table.*

[4] *Hall of the Moon at Shanghai RHXC with a total GFA of 64,000 sq.m. was newly completed in December 2015. It is currently under pre-leasing for opening of operation in late 2016. It is not included in this table for comparison because there was no contribution to rental and related income in 2015.*

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

	Leasable GFA (sq.m.)			Occupancy rate		
Project	**Office**	**Retail**	**Total**	**31 December 2015**	**31 December 2014**	**Group's interest**
Completed before 2015						
Shanghai Taipingqiao						
Shanghai Xintiandi	4,000	43,000	47,000	99%	98%	78.11%
Xintiandi Style	-	26,000	26,000	99%	96%	77.33%
Shanghai Shui On Plaza	32,000	28,000	60,000	96%	100%	62.49%[1]
Shanghai RHXC						
The Palette 1, 2, 3 and 5	-	46,000	46,000	96%	100%	99.00%[2]
Hall of the Stars (Ruihong Tiandi Lot 6)	-	19,000	19,000	96%	N/A	99.00%
Shanghai KIC						
1-3 and 5-12 KIC Plaza	95,000	42,000	137,000	94%	94%	86.80%
KIC Village R1 and R2	11,000	11,000	22,000	98%	98%	86.80%
5,6 and 7 KIC Corporate Avenue	53,000	8,000	61,000	74%	N/A	99.00%
THE HUB						
Office Towers 1, 2, 3 & 5	91,000	3,000	94,000	80%	N/A	78.11%
The Mall and Xintiandi	-	129,000	129,000	69%	N/A	78.11%
Wuhan Tiandi						
Wuhan Xintiandi	-	46,000	46,000	97%	95%	78.11%
Chongqing Tiandi						
The Riviera I, II & III	-	6,000	6,000	88%	73%	99.00%
Chongqing Tiandi (Lot B3/01)	-	49,000	49,000	63%	67%	99.00%
2 Corporate Avenue Retail	-	11,000	11,000	100%	100%	99.00%
6, 7 and 8 Corporate Avenue Retail	-	68,000	68,000	76%	58%	99.00%
Foshan Lingnan Tiandi						
Lingnan Tiandi (Phase 1 & 2)	-	49,000	49,000	85%	62%	100.00%
Shui On New Plaza (Lot D retail podium)	-	15,000	15,000	2%	2%	100.00%
Dalian Tiandi						
Aspen and Maple Towers (Site D22)	42,000	-	42,000	79%	80%	48.00%
Acacia and Lynwood Towers (Site D14)	52,000	-	52,000	77%	77%	48.00%
Ambow (Training School)	113,000	-	113,000	100%	100%	48.00%
IT Tiandi (D10 Retail)	-	41,000	41,000	59%	56%	48.00%
Subtotal	493,000	640,000	1,133,000			
New completions in 2015						
Shanghai Taipingqiao						
3 Corporate Avenue	56,000	31,000	87,000			77.33%
THE HOUSE	-	7,000	7,000			78.11%
Shanghai RHXC						
Hall of the Moon (Ruihong Tiandi Lot 3)	-	64,000	64,000			99.00%
Shanghai KIC						
KIC Village 12-8	5,000	-	5,000			86.80%
Foshan Lingnan Tiandi						
NOVA	-	73,000	73,000			100.00%
Subtotal	61,000	175,000	236,000			
As of 31 December 2015, investment properties held by:						
- Subsidiaries of the Group	347,000	774,000	1,121,000			
- Associated companies	207,000	41,000	248,000			
Total leasable GFA as of 31 December 2015	**554,000**	**815,000**	**1,369,000**[3]			
Total leasable GFA as of 31 December 2014	**514,000**	**635,000**	**1,149,000**[3]			

[1] *The Group has a 62.49% interest in Shui On Plaza, except for an additional GFA of 2,000 sq.m. acquired in 2015, which the Group has an effective interest of 78.11% .*

[2] *The Group has 99.0% in The Platte 2, 3 & 5 and 100% interest in The Platte 1.*

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

The table below summarises the carrying value of the remaining investment properties at valuation as of 31 December 2015 together with the change in fair value for 2015:

Project	**Leasable GFA**	**Increase /(decrease) in fair value for 2015**	**Carrying value as of 31 December 2015**	**Carrying value per GFA**	**Valuation gain /(loss) to carrying value**
	sq.m.	RMB'million	RMB'million	RMB per sq.m.	%
Completed investment properties at valuation					
Shanghai Taipingqiao					
Shanghai Xintiandi	54,000	493	5,242	97,100	9%
Xintiandi Style	26,000	90	1,924	74,000	5%
Shui On Plaza	52,000	363	3,481	66,900	10%
THE HUB	223,000	446	8,445	37,900	5%
Shanghai RHXC	145,000	98	4,290	29,600	2%
Shanghai KIC	219,000	518	6,612	30,200	8%
Wuhan Tiandi	46,000	136	1,645	35,800	8%
Chongqing Tiandi	134,000	(76)	1,820	13,600	(4%)
Foshan Lingnan Tiandi	137,000	55	4,102	29,900	1%
Subtotal	**1,036,000**	**2,123**	**37,561**	**36,300**	**6%**
Assets classified as held for sale at valuation					
Shanghai Taipingqiao					
3 Corporate Avenue	**87,000**	**678**	**5,700**	**65,500**	**12%**
Investment properties under development at valuation					
Wuhan Tiandi	185,000	147	3,653	19,700	4%
Chongqing Tiandi	388,000	15	1,949	5,000	1%
Foshan Lingnan Tiandi	2,000	7	34	17,000	21%
Subtotal	**575,000**	**169**	**5,636**	**9,800**	**3%**
Total of the remaining investment properties at valuation	**1,698,000**	**2,970**	**48,897**	**28,800**	**6%**

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

The carrying value of the completed investment properties (excluding hotels and self-use properties) with a total GFA of 1,036,000 sq.m., was RMB37,561 million as of 31 December 2015. Of this sum, RMB2,123 million (representing 6% of the carrying value) arose from increased fair value during 2015. Contributing factors included an increase in rental and related income generated from the existing completed investment properties portfolio, and the progressively commenced operations of THE HUB. The properties located in Shanghai, Wuhan, Chongqing and Foshan, respectively contributed 80%, 4%, 5% and 11% of the carrying value.

The carrying value of the investment properties under development at valuation for a total GFA of 575,000 sq.m. was RMB5,636 million as of 31 December 2015. Of this sum, RMB169 million (representing 3% of the carrying value) arose from increased fair value during 2015. The increase was mainly due to accelerated construction work on the HORIZON (retail podium at Lots A1/A2/A3) and retail mall at Lot B4/5 in Wuhan Tiandi, which was planned for progressive completion from 2016 to 2017.

Except for the above mentioned investment properties at valuation, the carrying value of the remaining commercial-use landbank was stated at cost of RMB12,403 million.

Landbank

As of 31 December 2015, the Group's landbank, including the contribution of its Dalian associates, stood at a total GFA of 11.8 million sq.m. (comprising 9.4 million sq.m. of leasable and saleable area, and 2.4 million sq.m. for clubhouses, car parking spaces and other facilities) spread across eight development projects located in the prime areas of five major PRC cities: namely Shanghai, Wuhan, Chongqing, Foshan and Dalian.

Of the total leasable and saleable GFA of 9.4 million sq.m., the sum of 1.6 million sq.m. was completed, and held for sale and/or investment. Approximately 3.4 million sq.m. was under development, and the remaining 4.4 million sq.m. was held for future development.

<u>Relocation of Shanghai Taipingqiao and RHXC</u>

The relocation of RHXC Lots 10, 1 & 7 is in progress. 99%, 96% and 94% of residents in Lot 10, Lot 1 and Lot 7, have signed relocation agreements respectively as of 31 December 2015. Lots 1 and 7 will be developed into high-end residential apartments and Lot 10 will be developed into a commercial complex with two Grade-A office buildings and a shopping mall. As of 31 December 2015, a total amount of RMB10,124 million had been paid. The estimated outstanding relocation cost of RMB1,400 million is estimated to be paid progressively in 2016 and 2017. The relocation of these three sites is planned to be completed from 2016 to 2017.

The relocation of Taipingqiao Lot 118 started in the fourth quarter of 2014 and 97% of residents had signed relocation agreement as of 31 December 2015. As of 31 December 2015, relocation cost of RMB4,200 million had been paid. The estimated outstanding relocation cost of RMB1,100 million is estimated to be paid progressively in 2016 and 2017. Lot 118 is planned to be developed into a high-end residential apartments.

Relocation plans and the timetable for the remaining 416,000 sq.m. and 230,000 sq.m. of GFA located at Shanghai Taipingqiao and RHXC, respectively, have yet to be determined. The relocation plans of these sites are subject to final proposal and agreement terms among relevant parties.

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

Project	**Percentage of relocation as of 31 December 2015**	**Leasable and saleable GFA**	**Relocation cost paid as of 31 December 2015**	**Estimated outstanding relocation cost as of 31 December 2015**	**Estimated relocation completion year**
		sq.m.	RMB'million	RMB'million	
RHXC Lot 10	99%	329,000	2,571	360	2016
RHXC Lot 1 (Residential)	96%	110,000	3,778	520	2016-2017
RHXC Lot 7 (Residential)	94%	160,000	3,775	520	2017
Taipingqiao Lot 118 (Residential)	97%	80,000	4,200	1,100	2016-2017
Total		**679,000**	**14,324**	**2,500**	

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

The Group's total landbank as of 31 December 2015, including that of its associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA							
	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interest
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	%
Completed properties:								
Shanghai Taipingqiao	-	92,000	135,000	-	**227,000**	92,000	**319,000**	99.00%[1]
Shanghai RHXC	-	-	129,000	16,000	**145,000**	96,000	**241,000**	100.00%[2]
Shanghai KIC	-	169,000	64,000	-	**233,000**	158,000	**391,000**	86.80%[3]
THE HUB	-	102,000	135,000	-	**237,000**	102,000	**339,000**	78.11%
Wuhan Tiandi	-	-	46,000	-	**46,000**	25,000	**71,000**	78.11%
Chongqing Tiandi	22,000	-	145,000	-	**167,000**	169,000	**336,000**	99.00%
Foshan Lingnan Tiandi	63,000	15,000	157,000	43,000	**278,000**	173,000	**451,000**	100.00%
Dalian Tiandi	68,000	207,000	41,000	-	**316,000**	154,000	**470,000**	48.00%[4]
Subtotal	153,000	585,000	852,000	59,000	**1,649,000**	969,000	**2,618,000**	
Properties under development:								
Shanghai Taipingqiao	168,000	-	-	-	**168,000**	39,000	**207,000**	99.00%[1]
Shanghai RHXC	457,000	148,000	186,000	-	**791,000**	202,000	**993,000**	99.00%
Shanghai KIC	-	-	-	23,000	**23,000**	-	**23,000**	99.00%
Wuhan Tiandi	130,000	187,000	185,000	45,000	**547,000**	243,000	**790,000**	100.00%
Chongqing Tiandi	383,000	291,000	151,000	25,000	**850,000**	309,000	**1,159,000**	99.00%
Foshan Lingnan Tiandi	-	-	9,000	-	**9,000**	-	**9,000**	100.00%
Dalian Tiandi	460,000	206,000	188,000	143,000	**997,000**	320,000	**1,317,000**	48.00%[4]
Subtotal	1,598,000	832,000	719,000	236,000	**3,385,000**	1,113,000	**4,498,000**	
Properties for future development:								
Shanghai Taipingqiao	86,000	174,000	118,000	38,000	**416,000**	44,000	**460,000**	99.00%
Shanghai RHXC	83,000	69,000	78,000	-	**230,000**	2,000	**232,000**	100.00%
Wuhan Tiandi	243,000	166,000	91,000	7,000	**507,000**	4,000	**511,000**	100.00%
Chongqing Tiandi	315,000	143,000	160,000	50,000	**668,000**	212,000	**880,000**	99.00%
Foshan Lingnan Tiandi	378,000	450,000	107,000	80,000	**1,015,000**	10,000	**1,025,000**	100.00%
Dalian Tiandi[5]	394,000	867,000	262,000	42,000	**1,565,000**	-	**1,565,000**	48.00%[4]
Subtotal	1,499,000	1,869,000	816,000	217,000	**4,401,000**	272,000	**4,673,000**	
Total landbank GFA	**3,250,000**	**3,286,000**	**2,387,000**	**512,000**	**9,435,000**	**2,354,000**	**11,789,000**	

1 *The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi, Casa Lakeville, Xintiandi Style, 3 Corporate Avenue, Shui On Plaza and Lot 116, in which the Group has an effective interest of 78.11%, 77.33%, 77.33%, 77.33%, 62.49% and 39.0656%, respectively. The Group acquired an additional GFA of 2,000 sq.m. in Shui On Plaza in 2015 in which the Group has an effective interest of 78.11%. In addition, after the initial completion of the exercise of Sale Option and Purchase Option pursuant to the JV Agreement which occurred in 19 January 2016, the Group has a 56.7456% interest in Lot 116.*

2 *The Group has a 100.0% effective interest in RHXC Phase 1, Lot 167A and Lot 167B and 99.0% interest in all remaining phases.*

3 *The Group has an 86.8% interest in all the remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 99.0%.*

4 *The Group has a 48.0% effective interest in Dalian Tiandi, except for Lots C01, C03, B08, B09 and E02a in which the Group has a 33.6% effective interest.*

5 *Dalian Tiandi is expected to have a landbank of 3.4 million in GFA. As of 31 December 2015, approximately 3.1 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. is expected to be acquired through public bidding in due course.*

Market Outlook

2016 is shaping up to be a turbulent year, marked by heightened geopolitical tensions in the Middle East, weak commodity prices, exchange rate fluctuations, subdued investment and slow productivity growth. The confluence of these events has impaired business sentiment and will likely dampen the pace of global economic recovery. Asynchronous monetary policy between the US and the EU is expected to continue, while Japan's unconventional move to implement a negative interest rate could trigger a further drop in the value of Asian currencies. In early 2016, global stock markets retreated from their 2015 highs, with major stock indices recording double-digit declines. A persistent equity bear market will weigh on business confidence, leaving the projected US-led global economic recovery highly uncertain.

China's GDP growth continued to slow in 2015 to 6.9% in real terms, as the economy confronted headwinds from industrial overcapacity amid weak global demand. Nevertheless, there were several bright spots, including a booming services sector and e-commerce, which helped raise the tertiary sector's contribution to GDP above 50% for the first time. The continuing soft fall in economic growth has prompted the authorities to strengthen fiscal policy and adopt a looser monetary policy. Following six consecutive cuts in bank reserve requirement ratio (RRR) and benchmark interest rate since November 2014, the government of mainland China recently announced that it would implement further easing of home purchase policy. This policy will help to expedite the reduction of housing inventory and place the housing market recovery on a firmer setting, thus restraining real estate investment and economic growth from slowing further. The government has also pledged to introduce supply-side reform in order to revitalise the economy with the aim of achieving 6.5-7% GDP growth for 2016.

In February 2016, the down payment requirements were lowered respectively to 20% and 30% for first and second home purchases, applicable to all cities except Beijing, Shanghai, Guangzhou, Shenzhen and Sanya. China also cut deed and business taxes for home purchases. The deed tax for houses above 90 sq.m. was reduced from the current 1.5- 3% to 1.5% for first time buyers in all cities. For second homes, the tax rate was reduced to 1% (for houses under 90 sq.m.) or 2% (for houses above 90 sq.m.) in all cities except Beijing, Shanghai, Guangzhou and Shenzhen. In addition, houses held for more than two years will be exempt from a business tax in all cities, except Beijing, Shanghai, Guangzhou and Shenzhen. The business tax was previously assessed at 5.55%. At the same time, China raised the interest rate for housing provident fund deposit to 1.5% with effect from February 21, 2016. Previously the interest rate was 1.1% for provident fund deposit balances from the previous calendar year, and 0.35% for current year deposit. These policies will stimulate housing transactions and help development projects in lower tier cities to regain pricing power. In 2015, nationwide residential transactions by sales area and value rose by 6.9% and 16.6% respectively, and we believe the housing market recovery should remain intact given the supportive policy environment. In addition, the recent relaxation of the one-child policy will increase the number of new births, which is projected to lift demand for residential upgrades in the next five years.

During 2015, the RMB depreciated against the USD by 5.8% while remaining stable against CFETS, an index comprising a basket of 13 currencies. Since late 2015, the PBOC has amended China's exchange rate formation mechanism, setting the daily onshore exchange rate with reference to the CFETS currency basket. In view of China's policy of maintaining currency stability relative to the CFETS basket, many investors expect further RMB devaluation against USD as the Federal Reserve Board began to heighten the US interest rate in December 2015. At the start of the year, currency speculators aggressively shorted the RMB, driving offshore USD: RMB rate to levels well below the onshore exchange rate. This has prompted intervention by the PBOC to push up RMB borrowing costs in Hong Kong and impose a reserve requirement for foreign financial institutions holding RMB deposits in mainland China. Under the PBOC's active management, the RMB has remained stable versus CFETS, and the USD: RMB exchange rate depreciated by around 0.8% by the end of February 2016. For the full year, the magnitude of any USD: RMB devaluation is highly uncertain in view of heightened global stock market volatility, which can alter the timing and pace of further US interest rate hikes.

In the grade A office sector, vacancy rates are expected to rise due to softening economic growth and the onset of a large supply pipeline. Multinational companies are likely to maintain a cautious attitude with regard to their business expansion under the current environment. Domestic companies, in particular financial services, technology, media & telecom and professional services, are expected to be the major demand drivers. Rental performance across the regions will be divergent. Average rent in first-tier cities is expected to remain stable or rise slightly, while rents in second-tier cities, especially in non-prime locations, are projected to decline due to rising vacancies. In the retail property sector, high expenditure on consumption and the increasing sophistication of consumers should continue to make first tier-cities attractive to retailers. Supply will be limited in prime catchment areas, where rental growth is likely to continue. Non-prime areas will encounter strong competitive pressure as more projects come on stream, thus driving average rents down. Changing consumer behaviour and the rapid growth of e-commerce will drive more project renovation, as landlords make adjustments to their trade-mix and strive to offer a better shopping experience through innovation in order to attract customer traffic.

In Shanghai, the economy achieved robust GDP growth of 6.8% in 2015, with the tertiary sector's contribution to GDP rising to 67.6% from 64.8% last year. The New Development Bank (formerly known as the BRICS Development Bank), the first international financial organisation headquartered in the city, officially opened on 21 July 2015. Shanghai has also announced an ambitious service sector development plan for the 13th Five-year Plan period. In addition to the city's ongoing transformation into an international financial centre, the authorities have introduced plans for Shanghai to assume a new role as a science and technology innovation centre with global influence. Driven by the upgrade demand and favourable policy environment, sales of new homes by floor area rose by 50.8% in 2015 to 15 million sq.m.. Average residence selling price in the period increased by 17.5% to RMB 32,101 per sq.m. and the price within the inner ring rose by 20.9% to RMB 75,868. In 2015, Shanghai's Grade A office rentals increased 9.3% due to strong demand from financial and professional services enterprises, while prime commercial retail rentals in the core area registered 4.8% year-on-year growth according to a Jones Lang LaSalle survey. We expect stable economic growth and further expansion of high-end services to attract continuing inflows of talent, which will create robust demand for residential and commercial properties.

Wuhan, an emerging economic hub in China's central region, achieved economic growth of 8.8% in 2015. Wuhan's residential sales hit a record high of 17 million sq.m., which is 51% above the previous year. In the 13th Five-year Plan, Wuhan has laid out a comprehensive plan to accelerate innovation-driven development, enhance the city's knowledge creation and technological innovation capabilities, and develop the East Lake High-Tech Development Zone into a world leading Science and Technology Park. With the recent easing of the home mortgage policy, residential sales are expected to continue growing steadily in 2016.

In 2015, Chongqing registered GDP growth of 11%, ranking it first among the nation's provinces, with the tertiary and secondary industry achieving strong growth rates of 11.5% and 11.3% respectively. In recognition of the city's importance to the development of the Yangtze River Economic Belt and the Belt and Road strategy, President Xi Jinping chose Chongqing as his first city to visit in 2016. It is worth noting that Chongqing aims to double its GDP and per capita income by 2017 from the 2010 level, three years ahead of national growth targets. In view of the city's strategic role in national development, our Chongqing Tiandi project should serve the city's growing needs for a modern professional services cluster.

Foshan's economy maintained stable GDP growth of 8.5% in 2015. According to the 13th Five-year Plan, Foshan aims to become one of the leading manufacturing centres in China, targeting average annual GDP growth of 7.5%. The city has embraced an Internet Plus Innovation & Entrepreneurship strategy and intends to build a strong talent pool in order to achieve its goals under this strategy. With support from the Guangdong provincial government, Foshan will invest RMB6 billion to upgrade the University of Foshan into an advanced science and engineering institute. Helped by improvements in the intercity transportation infrastructure and the huge price gap with Guangzhou, it is believed that Foshan's residential market is on course to achieve another year of robust performance.

Dalian's economy remained soft in 2015 with GDP growth declining to 4.2% from 5.8% in 2014. However, tertiary industry growth reached 8.2%, outpacing the city's economic growth rate. For 2016, Dalian has set a GDP growth target of 6.5-7.0%. In order to achieve this, the government will increase investment to enhance the city's infrastructure and subway network. The Dalian Bay Bridge connecting Jinzhou New District and the urban area is scheduled for completion by the end of 2017. Following the completion of subway line 2 in May 2015, the government commissioned the construction of subway lines 4 and 5.

As we enter 2016, we have seen rising volatility in the global currency markets and a hefty worldwide stock market correction. The economic outlook this year is highly uncertain and susceptible to risks. Despite this, China's residential market is on track to sustain another year of growth thanks to supportive monetary policy and further easing of its home mortgage policy. However, capital outflows and currency volatility could disrupt the baseline growth projection, so it is essential to closely monitor rapidly changing overseas and domestic growth dynamics. Spillover effects from a further dive in stock and currency prices could become contagious, posing significant economic growth risks across national boundaries. Contingency plans may need to be put in place to prepare for the onset of a downside scenario.

The Board of Directors (the "Board") of Shui On Land Limited (the "Company" or "Shui On Land") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2015**		2014	
		HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Turnover					
- The Group	*4*	**8,038**	**6,472**	12,934	10,249
- Share of associates		**208**	**167**	563	446
		8,246	**6,639**	13,497	10,695
Turnover of the Group	*4*	**8,038**	**6,472**	12,934	10,249
Cost of sales		**(5,940)**	**(4,783)**	(8,585)	(6,803)
Gross profit		**2,098**	**1,689**	4,349	3,446
Other income		**543**	**437**	439	348
Selling and marketing expenses		**(282)**	**(227)**	(319)	(253)
General and administrative expenses		**(1,117)**	**(899)**	(1,238)	(981)
Operating profit	*5*	**1,242**	**1,000**	3,231	2,560
Gain on investment properties disposed of		**3,942**	**3,174**	-	-
Increase in fair value of the remaining investment properties		**3,689**	**2,970**	3,758	2,978
Other gains and losses	*6*	**(153)**	**(123)**	(33)	(26)
Share of losses of associates and joint ventures		**(390)**	**(314)**	(218)	(173)
Finance costs, inclusive of exchange differences	*7*	**(3,253)**	**(2,619)**	(1,162)	(921)
Profit before taxation		**5,077**	**4,088**	5,576	4,418
Taxation	*8*	**(2,882)**	**(2,321)**	(2,440)	(1,933)
Profit for the year		**2,195**	**1,767**	3,136	2,485
Attributable to:					
Shareholders of the Company		**979**	**788**	2,244	1,778
Owners of convertible perpetual securities		**216**	**174**	283	224
Owners of perpetual capital securities		**392**	**316**	392	311
Owners of convertible perpetual capital securities		**76**	**61**	-	-
Non-controlling shareholders of subsidiaries		**532**	**428**	217	172
		1,216	**979**	892	707
		2,195	**1,767**	3,136	2,485
Earnings per share	*10*				
Basic		**HKD0.12**	**RMB0.10**	HKD0.28	RMB0.22
Diluted		**HKD0.06**	**RMB0.05**	HKD0.28	RMB0.22

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2015		2014	
	HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Profit for the year	**2,195**	**1,767**	3,136	2,485
Other comprehensive (expense) income				
Items that may be subsequently reclassified to profit or loss:				
Exchange difference arising on translation of foreign operations	**(73)**	**(59)**	(4)	(3)
Fair value adjustments on interest rate swaps designated as cash flow hedges	**(2)**	**(2)**	3	2
Fair value adjustments on cross currency swaps designated as cash flow hedges	**(6)**	**(5)**	(66)	(52)
Reclassification from hedge reserve to profit or loss	**32**	**26**	69	55
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligations	**2**	**2**	8	6
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties, net of tax	**-**	**-**	42	33
Other comprehensive (expense) income for the year	**(47)**	**(38)**	52	41
Total comprehensive income for the year	**2,148**	**1,729**	3,188	2,526
Total comprehensive income attributable to:				
Shareholders of the Company	**932**	**750**	2,296	1,819
Owners of convertible perpetual securities	**216**	**174**	283	224
Owners of perpetual capital securities	**392**	**316**	392	311
Owners of convertible perpetual capital securities	**76**	**61**	-	-
Non-controlling shareholders of subsidiaries	**532**	**428**	217	172
	1,216	**979**	892	707
	2,148	**1,729**	3,188	2,526

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2015 RMB'million	2014 RMB'million
Non-current assets			
Investment properties		**55,600**	58,162
Property, plant and equipment		**2,268**	1,418
Prepaid lease payments		**128**	131
Interests in associates		**562**	913
Interests in joint ventures		**27**	70
Loans to associates		**1,962**	1,804
Loans to joint ventures		**2,912**	1,735
Accounts receivable and prepayments	*11*	**504**	406
Amounts due from associates		**1,878**	1,242
Pledged bank deposits		**2,008**	2,300
Derivative financial instruments		**450**	-
Deferred tax assets		**554**	402
		68,853	68,583
Current assets			
Properties under development for sale		**20,102**	14,684
Properties held for sale		**2,560**	4,648
Accounts receivable, deposits and prepayments	*11*	**10,344**	8,726
Amounts due from related companies		**724**	659
Amounts due from joint ventures		**21**	-
Amounts due from customers for contract work		**103**	90
Amounts due from non-controlling shareholders of subsidiaries		**-**	34
Pledged bank deposits		**981**	991
Restricted bank deposits		**4,281**	2,471
Bank balances and cash		**3,344**	6,668
		42,460	38,971
Assets classified as held for sale	*13*	**5,857**	769
		48,317	39,740
Current liabilities			
Accounts payable, deposits received and accrued charges	*12*	**13,340**	6,926
Amounts due to related companies		**310**	240
Amounts due to non-controlling shareholders of subsidiaries		**11**	10
Tax liabilities		**1,301**	1,242
Bank and other borrowings - due within one year		**12,778**	5,779
Convertible bonds		**-**	419
Senior notes		**-**	5,275
Derivative financial instruments		**37**	214
Liabilities arising from rental guarantee arrangements		**320**	282
		28,097	20,387
Liabilities associated with assets classified as held for sale	*13*	**1,813**	-
		29,910	20,387
Net current assets		**18,407**	19,353
Total assets less current liabilities		**87,260**	87,936

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Notes	**2015 RMB'million**	2014 RMB'million
Capital and reserves			
Share capital	*14*	**145**	145
Reserves		**36,500**	37,666
Equity attributable to shareholders of the Company		**36,645**	37,811
Convertible perpetual securities		**16**	2,898
Convertible perpetual capital securities	*15*	**1,346**	-
Perpetual capital securities		**3,050**	3,051
Non-controlling shareholders of subsidiaries		**5,061**	1,162
		9,473	7,111
Total equity		**46,118**	44,922
Non-current liabilities			
Accounts payable and accrued charges	*12*	**48**	72
Bank and other borrowings **-** due after one year		**20,559**	22,630
Senior notes		**14,655**	13,862
Derivative financial instruments		**238**	89
Liabilities arising from rental guarantee arrangements		**370**	249
Loans from non-controlling shareholder of a subsidiary		**-**	70
Deferred tax liabilities		**5,242**	6,006
Defined benefit liabilities		**30**	36
		41,142	43,014
Total equity and non-current liabilities		**87,260**	87,936

Notes to the consolidated financial statements:

1. General

The consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Financial Reporting Standards.

2. Presentation

The Hong Kong dollar figures presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.242 for 2015 and RMB1.000 to HKD1.262 for 2014, being the average exchange rates that prevailed during the respective years.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs")

Application of new and revised IFRSs

In the current year, the Group has applied, for the first time, the following amendments to IFRSs that are mandatorily effective for annual periods beginning on 1 January 2015:

Amendments to IAS 19	Defined Benefits Plans: Employee Contributions
Amendments to IRFSs	Annual Improvements to IFRSs 2010 - 2012 Cycle
Amendments to IRFSs	Annual Improvements to IFRSs 2011 - 2013 Cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs") - continued

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after a date to be determined

IFRS 9 Financial Instruments

A final version of IFRS 9 (that includes classification and measurement of financial assets and financial liabilities, impairment and general hedge accounting) was issued in 2014.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.

- An expected loss model (rather than an incurred loss model) has been adopted by IFRS 9.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting.

The Directors of the Company will assess the impact of the application of IFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 9 until the Group performs a detailed review.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs") – continued

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

For other new and revised IFRSs, the Directors of the Company do not expect a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

4. Turnover and Segmental Information

An analysis of the turnover of the Group and share of turnover of associates for the year is as follows:

	2015			2014		
	The Group RMB'million	**Share of associates RMB'million**	**Total RMB'million**	The Group RMB'million	Share of associates RMB'million	Total RMB'million
Property development:						
Property sales	**4,380**	**146**	**4,526**	8,543	412	8,955
Property investment:						
Rental income received from investment properties	**1,428**	**21**	**1,449**	1,163	34	1,197
Income from hotel operations	**73**	**-**	**73**	300	-	300
Property management fee income	**50**	**-**	**50**	27	-	27
Rental related income	**61**	**-**	**61**	88	-	88
	1,612	**21**	**1,633**	1,578	34	1,612
Construction	**424**	**-**	**424**	84	-	84
Others	**56**	**-**	**56**	44	-	44
Total	**6,472**	**167**	**6,639**	10,249	446	10,695

The Group is organised based on its business activities and has the following three major reportable segments:

Property development	-	development and sale of properties
Property investment	-	office and commercial/mall leasing, property management and hotel operations
Construction	-	construction, interior fitting-out, renovation and maintenance of building premises and provision of related consultancy services

Property development segment and property investment segment combine various operating segments in respect of the Group's operations in Shanghai, Chongqing, Wuhan and Foshan, the PRC, on the basis that the products and services delivered to the customers are similar.

Included in the Group's property sales of RMB4,380 million (2014: RMB8,543 million) is revenue arising from sales of residential properties of RMB2,497 million (2014: RMB8,009 million), commercial properties of RMB1,621 million (2014: RMB207 million) and others of RMB262 million (2014: RMB327 million).

4. Turnover and Segmental Information - continued

For the year ended 31 December 2015

	Reportable segment					
	Property development RMB'million	**Property investment RMB'million**	**Construction RMB'million**	**Total RMB'million**	**Others RMB'million**	**Consolidated RMB'million**
SEGMENT REVENUE						
External turnover of the Group	**4,380**	**1,612**	**424**	**6,416**	**56**	**6,472**
Share of turnover of associates	**146**	**21**	**-**	**167**	**-**	**167**
Total segment revenue	**4,526**	**1,633**	**424**	**6,583**	**56**	**6,639**
SEGMENT RESULTS						
Segment results of the Group	**207**	**7,367**	**(40)**	**7,534**	**149**	**7,683**
Interest income						**302**
Share of losses of associates and joint ventures						**(314)**
Finance costs, inclusive of exchange differences						**(2,619)**
Other gains and losses						**(573)**
Net unallocated expenses						**(391)**
Profit before taxation						**4,088**
Taxation						**(2,321)**
Profit for the year						**1,767**

For the year ended 31 December 2014

	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
External turnover of the Group	8,543	1,578	84	10,205	44	10,249
Share of turnover of associates	412	34	-	446	-	446
Total segment revenue	8,955	1,612	84	10,651	44	10,695
SEGMENT RESULTS						
Segment results of the Group	2,033	3,632	(1)	5,664	33	5,697
Interest income						308
Share of losses of associates						(173)
Finance costs, inclusive of exchange differences						(921)
Other gains and losses						(26)
Net unallocated expenses						(467)
Profit before taxation						4,418
Taxation						(1,933)
Profit for the year						2,485

4. Turnover and Segmental Information - continued

Segment revenue represents the turnover of the Group and the share of turnover of associates.

Segment results represent the profit earned by each segment without allocation of central administration costs, Directors' salaries, interest income, share of losses of associates and joint ventures, other gains and losses except for the fair value gain on an option to buy back an investment property and finance costs inclusive of exchange differences. This is the measure reported to the chief operating decision makers who are the Executive Directors of the Company for the purpose of resource allocation and performance assessment.

5. Operating Profit

Operating profit has been arrived at after charging (crediting):	**2015 RMB'million**	2014 RMB'million
Auditor's remuneration		
- audit services	**6**	6
Depreciation of property, plant and equipment	**126**	161
Release of prepaid lease payments	**3**	3
Less: Amount capitalised to property, plant and equipment	**(3)**	(3)
	-	-
Loss on disposal of property, plant and equipment	**3**	3
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	2
Salaries, bonuses and allowances	**23**	26
Retirement benefits costs	**-**	1
Share option expenses	**-**	1
	25	30
Other staff costs		
Salaries, bonuses and allowances	**572**	510
Retirement benefits costs	**64**	57
Share option expenses	**4**	5
Share award expenses	**8**	-
	648	572
Total employee benefits expenses	**673**	602
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	**(163)**	(170)
	510	432
Cost of properties sold recognised as an expense	**3,628**	5,918
Minimum lease payment under operating leases	**30**	30
Impairment loss on properties held for sale and properties under development for sale (included in cost of sales)	**292**	131

6. Other Gains and Losses

	2015 RMB'million	2014 RMB'million
Loss arising from rental guarantee arrangements	**(439)**	(160)
Fair value gain on an option to buy back an investment property	**450**	-
Fair value loss on other derivative financial instruments	**(126)**	(17)
Bargain purchase gain on acquisition of subsidiaries	**-**	15
Gain on disposal of subsidiaries	**-**	136
Others	**(8)**	-
	(123)	(26)

7. Finance Costs, Inclusive of Exchange Differences

	2015 RMB'million	2014 RMB'million
Interest on bank and other borrowings	**2,085**	1,825
Interest on loans from non-controlling shareholders of subsidiaries	**-**	95
Imputed interest on loans from non-controlling shareholders of subsidiaries	**5**	39
Interest on convertible bonds	**34**	43
Interest on senior notes	**1,405**	1,435
Net interest expense from cross currency swaps designated as cash flow hedges	**42**	23
Net interest expense from interest rate swaps designated as cash flow hedges	**8**	14
Total interest costs	**3,579**	3,474
Exchange loss on bank borrowings	**32**	-
Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development	**(2,185)**	(2,676)
Interest expense charged to profit or loss	**1,426**	798
Premium for repurchase/exchange of RMB denominated senior notes due in 2015	**-**	58
Net exchange loss on bank borrowings and other financing activities	**1,156**	34
Others	**37**	31
	2,619	921

Borrowing costs capitalised during the year which arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately 8.1% (2014: 8.7%) per annum to expenditure on the qualifying assets.

8. Taxation

	2015 **RMB'million**	2014 RMB'million
PRC Enterprise Income Tax		
- Current provision	**956**	831
PRC Withholding Tax		
- Current provision	**23**	148
PRC Land Appreciation Tax		
- Provision for the year	**271**	826
Deferred taxation		
- Provision for the year	**1,071**	128
	2,321	1,933

No provision for Hong Kong Profits Tax has been made as the income of the Group neither arises in, nor is derived from, Hong Kong.

PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% (2014: 25%) on the assessable profits of the companies in the Group during both years.

The PRC Enterprise Income Tax Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, and at rate of 10% for companies incorporated in BVI and Republic of Mauritius, which are the beneficial owners of the dividend received. As at 31 December 2015 and 31 December 2014, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

The current income tax provided for the current year also included applicable income taxes on transfers of equity interest in subsidiaries of the Group.

9. Dividends

	2015 **RMB'million**	2014 RMB'million
Dividends recognised as distribution during the year:		
Interim dividend paid in respect of 2015 of HKD0.022 per share (2014: Interim dividend paid in respect of 2014 of HKD0.022 per share)	**146**	140
Final dividend paid in respect of 2014 of HKD0.04 per share (2014: Final dividend paid in respect of 2013 of HKD0.04 per share)	**253**	255
	399	395

A final dividend for the year ended 31 December 2015 of HKD0.028 (equivalent to RMB0.023 translated using the exchange rate of 0.8378 as at 31 December 2015) per share, amounting to HKD225 million (equivalent to RMB189 million translated using the exchange rate of 0.8378 as at 31 December 2015) in aggregate, was proposed by the Directors of the Company on 16 March 2016 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

10. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to shareholders of the Company is based on the following data:

	2015 RMB'million	2014 RMB'million
Earnings		
Earnings for the purposes of basic earnings per share, being profit for the year attributable to shareholders of the Company	**788**	1,778
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual securities(*note (c)*)	**(348)**	–
Earnings for the purposes of diluted earnings per share	**440**	1,778

	2015 'million	2014 'million
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share(*note (a)*)	**8,002**	8,002
Effect of dilutive potential ordinary shares:		
Convertible bonds	**-**	132
Outstanding share awards	**16**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,018**	8,134

	2015	2014
Basic earnings per share (*note (b)*)	**RMB0.10**	RMB0.22
	HKD0.12	HKD0.28
Diluted earnings per share (*note (b)*)	**RMB0.05**	RMB0.22
	HKD0.06	HKD0.28

Notes:

(a) The weighted average number of ordinary shares shown above has been arrived at after deducting 24,854,000 shares held by a share award scheme trust.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.242 for 2015 and RMB1.000 to HKD1.262 for 2014, being the average exchange rates that prevailed during the respective years.

(c) Convertible perpetual securities (“CPS”) with an aggregate principal amount of USD499,900,000 were converted into ordinary shares of China Xintiandi Holding Company Limited, a subsidiary of the Company, in September 2015. The adjustment to earnings that were attributable to the CPS relates to the instruments which were in issue during the year. During the prior year, there were no dilution effects for such CPS as the full conversion of CPS into ordinary shares of the subsidiary will not result in a decrease in profit per ordinary share of the Company.

10. Earnings Per Share - continued

(d) There were no dilution effects from outstanding share options and warrants as the exercise prices of each of these share options and warrants were higher than the average market price of the Company's shares per share for the year ended 31 December 2015 and 2014.

(e) During the current year, there was no dilution effect for the convertible perpetual capital securities ("CPCS") as the full conversion of CPCS into ordinary shares of the Company will not result in a decrease in profit per ordinary share of the Company.

11. Accounts Receivable, Deposits and Prepayments

	2015	2014
	RMB'million	RMB'million
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	**184**	211
Trade receivables	**86**	30
Prepayments of relocation costs (*note*)	**234**	165
	504	406
Current accounts receivable comprise:		
Trade receivables	**806**	478
Receivable arising from disposal of a hotel	**193**	-
Prepayments of relocation costs *(note)*	**8,553**	7,765
Other deposits, prepayments and receivables, including prepaid business tax of RMB242 million (2014: RMB115 million)	**792**	483
	10,344	8,726

Note:

The amount represents monies paid to a few relocation agents for clearing the land of the current occupants in respect of a property development project in Shanghai. 86% and 10% (2014: 77% and 17%) of the total outstanding balance are paid to two of the relocation agents.

The balances represent the amounts that will be reclassified to costs of properties under development for sale and investment properties under construction or development as soon as the relocation is completed. Such relocation process in respect of the land portion which will be developed for sale is in accordance with the Group's normal operating cycle and accordingly the related relocation costs are classified as current assets. The balances are not expected to be realised within twelve months from the end of the reporting period.

Trade receivables comprise:

(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sales and purchase agreements;

(ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants; and

(iii) receivables arising from construction revenue of which a credit term of 40 days are granted to the customer.

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB892 million (2014: RMB508 million), of which 64% (2014: 97%) are aged less than 90 days, and 36% (2014: 3%) are aged over 90 days, as compared to when revenue was recognised.

11. Accounts Receivable, Deposits and Prepayments – continued

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB560 million (2014: RMB40 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, of which 43% (2014: 62%) are past due within 90 days, and 57% (2014: 38%) are past due over 90 days, based on the repayment terms set out in the sales and purchase agreements. No provision for impairment is considered necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the date of the reporting period. Allowance for bad and doubtful debts are generally not required for rental receivables as the Group has collected rental deposits from the tenants to secure any potential losses from uncollectible debts.

Other receivables as at 31 December 2015 included an advance to a government body in Shanghai of RMB200 million. The amount is unsecured, interest-bearing at 6.1% per annum and repayable on date of completion of relocation work for certain land lots of the Group in Shanghai and 31 December 2016, whenever is the earlier.

12. Accounts Payable, Deposits Received and Accrued Charges

	2015 RMB'million	2014 RMB'million
Current portion comprise:		
Trade payables	**4,141**	3,439
Relocation cost payables	**700**	-
Retention payables (*note*)	**735**	646
Deed tax, business tax and other tax payables	**501**	308
Deposits received and receipt in advance from property sales	**4,552**	1,638
Deposits received and receipt in advance in respect of rental of investment properties	**473**	413
Deposits received for disposal of subsidiaries	**1,768**	-
Other payables and accrued charges	**470**	482
	13,340	6,926
Non-current portion comprise:		
Other payables and accrued charges	**48**	72

Note: Retention payables are expected to be paid upon the expiry of the retention periods according to the respective contracts.

Included in the Group's accounts payable, deposits received and accrued charges are trade payable balances of RMB4,141 million (2014: RMB3,439 million), of which 74% (2014: 75%) are aged less than 30 days, 5% (2014: 15%) are aged between 31 to 60 days, 3% (2014: 6%) are aged between 61 days to 90 days, and 18% (2014: 4%) are aged more than 90 days, based on invoice date.

Deposits received and receipt in advance from property sales amounting to RMB118 million (2014: RMB317 million) are expected to be released to profit or loss more than twelve months after the end of the reporting period.

13. Assets Classified As Held For Sale and Related Liabilities

In December 2015, the Group entered into an agreement with an independent third party to dispose of 100% equity interest in a subsidiary, namely Infoshore International Limited ("Infoshore") and the related shareholders' loans for an aggregate cash consideration of USD679 million, equivalent to RMB4,407 million (translated at the spot rate as at 31 December 2015), subject to adjustments. Infoshore indirectly held an investment property located in Shanghai, the PRC. The Directors of the Company concluded that the assets and liabilities of Infoshore and its subsidiaries should be classified as held-for-sale as at 31 December 2015 in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* on the basis that the disposal was expected to be completed in early 2016; the disposal was completed on 2 February 2016 with the equity interest in Infoshore being transferred to the buyer and the property being made available to the buyer since that date.

The assets and liabilities of Infoshore and its subsidiaries as at 31 December 2015, which have been presented separately in the Group's consolidated statement of financial position, are as follows:

	RMB'million
Investment properties	5,700
Pledged bank deposits	93
Accounts receivable, deposits and prepayments	48
Bank balances and cash	16
Total assets classified as held for sale	5,857
Accounts payable, deposits received and accrued charges	290
Secured bank borrowings - due within one year	1,044
Deferred tax liabilities	479
Total liabilities associated with assets classified as held for sale	1,813
Total assets less total liabilities	4,044

Deposits with an aggregate amount of USD272 million (equivalent to RMB1,762 million translated at the spot rate at settlement) were received in December 2015 and were presented separately in the Group's consolidated statement of financial position as "restricted bank deposits". Consideration of USD337 million (equivalent to RMB2,203 million translated at the spot rate at settlement) was received in February 2016. Consideration of USD33 million (equivalent to RMB218 million translated at the spot rate at settlement) was received in March 2016 upon the housing ownership certificate was obtained by a subsidiary of Infoshore. The remaining consideration of USD34 million (equivalent to RMB224 million translated at the spot rate at settlement) was deposited in an escrow bank account and will be released to the Group when the 1% equity interest held by a non-controlling shareholder in a subsidiary of Infoshore is transferred to the buyer. The Directors of the Company believe that the likelihood of not fulfilling the condition is remote. Up to the date of the authorisation of the consolidated financial statements, the aggregate consideration received by the Group (net of dividend paid to non-controlling shareholder of the subsidiary) amounted to USD516 million (equivalent to RMB3,378 million translated at the spot rate at settlement).

The fair value of the above investment property as at 31 December 2015 takes into account the valuation as at 31 October 2015 as set out in the valuation report prepared by an independent professional valuer not connected with the Group.

13. Assets Classified As Held For Sale and Related Liabilities - continued

During the year ended 31 December 2014, the Group entered into a sale and purchase agreement with a subsidiary of Great Eagle Holdings Limited ("Great Eagle", a company listed in the Stock Exchange of which the substantial shareholder, the chairman and the managing director is the sibling of the Chairman and the ultimate controlling shareholder of the Company) for the disposal of a hotel and certain carparks located in Shanghai, the PRC, for an aggregate cash consideration of RMB965 million, of which RMB714 million (net of the relevant taxes other than income taxes of RMB58 million) was received during the current year and the remaining consideration of RMB193 million is expected to be settled when the Group obtains the housing ownership certificate of the hotel, which is expected to occur within 12 months for the end of the current reporting period, is included in accounts receivable, deposits and prepayments. The disposal has been completed during the current year and the gain on disposal was insignificant.

14. Share Capital

	Authorised		Issued and fully paid	
Ordinary shares of USD0.0025 each	Number of shares	USD'000	Number of shares	USD'000
At 1 January 2014 and 31 December 2014	12,000,000,000	30,000	8,001,726,189	20,004
Exercise of share options	-	-	50,000	-
Issue of shares pursuant to the share award scheme	-	-	24,854,000	62
At 31 December 2015	**12,000,000,000**	**30,000**	**8,026,630,189**	**20,066**

	2015 & 2014
	RMB'million
Shown in the consolidated statement of financial position as	**145**

The new shares rank pari passu with the existing shares in all respects.

15. Convertible Perpetual Capital Securities

On 4 June 2015, Shui On Development (Holding) Limited ("SODH"), a wholly-owned subsidiary of the Company, issued CPCS with an aggregate principal amount of USD225 million (equivalent to approximately RMB1,376 million translated using the spot rate as at 4 June 2015). The CPCS are guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SODH.

The CPCS are classified as equity instruments in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPCS.

16. Event after the Reporting Period

Other than those disclosed elsewhere in the consolidated results, the Group has the following event after the reporting period.

Pursuant to a sale and purchase agreement dated 18 December 2015, the Group, as the purchaser, has conditionally agreed to buy, and Trophy Property GP Limited, as general partner of and on behalf of Trophy Property Development L.P. and its subsidiaries (collectively referred to as “Trophy”), as the seller, has conditionally agreed to sell the 60.14% equity interest and the related shareholders' loans in Portspin Limited (“Portspin”) in two stages: the initial stage in relation to 18.04% of the equity interest in Portspin for a cash consideration of USD156 million (approximately RMB1,013 million translated using the exchange rate as at 31 December 2015) to be settled on 19 January 2016 and the final stage in relation to 42.1% of the equity interest in Portspin for a cash consideration of USD407 million (approximately RMB2,643 million translated using the exchange rate as at 31 December 2015) to be settled on 29 December 2017. The initial stage sale was completed after the end of the reporting period and Portspin became an indirect non-wholly owned subsidiary of the Company.

In relation to the above acquisition, the Group has raised bank loans before the end of the current year amounting to approximately RMB1,013 million which would be restricted for the purposes of the payment of the acquisition.

Financial Review

Group turnover decreased by 37% to RMB6,472 million in 2015 (2014: RMB10,249 million), primarily due to lower recognised property sales during the year, which was partially offset by higher rental and related income and construction income for the year.

For 2015, *Property sales* decreased by 49% to RMB4,380 million (2014: RMB8,543 million), as a result of fewer properties delivered, especially from our Shanghai projects. Properties sales of our Shanghai projects, including Shanghai RHXC, decreased to RMB811 million during the year (2014: RMB5,568 million). The decrease was partially offset by higher properties sales of our Chongqing and Foshan projects, which increased to RMB2,565 million (2014: RMB1,622 million). Total area handed over to buyers maintained around 309,890 sq.m. (2014: 313,500 sq.m.) while ASP decreased by 48% to RMB15,000 per sq.m.. Details of property sales during the year ended 31 December 2015 are contained in the paragraph titled "Property Sales" in the Business Review Section.

Income from property investment of the Group rose marginally by 2% to RMB1,612 million (2014: RMB1,578 million). *Rental and related income* from investment properties increased to RMB1,539 million (2014: RMB1,278 million), principally due to higher rental income from existing completed investment properties, in particular for Shanghai Taipingqiao, Shanghai KIC and Wuhan Tiandi, and also from the completion of new investment properties in Shanghai Taipingqiao 3 Corporate Avenue and Foshan Lingnan Tiandi, and also from the progressively commenced operations of THE HUB. *Income from hotel operations* decreased to RMB73 million for the year under review (2014: RMB300 million) as a result of the disposal of Shanghai Langham Xintiandi Hotel in the fourth quarter of 2014. Details on the business performance of investment properties are contained in the paragraph titled "Investment Property" in the Business Review Section.

Construction income generated by our newly acquired construction business, which started revenue contribution in October 2014, reached RMB424 million for the year ended 31 December 2015 (2014: RMB84 million).

Gross profit for 2015 decreased by 51% to RMB1,689 million (2014: RMB3,446 million), with a lower gross profit margin of 26% (2014: 34%). The lower gross profit margin was due to lower margins contributed from Chongqing and Foshan development and the newly acquired construction business, compared with higher profit contribution from the property sales of Shanghai RHXC in 2014.

Other income increased by 26% to RMB437 million (2014: RMB348 million), which comprised interest income of RMB302 million (2014: RMB308 million) and grants received from PRC government of RMB109 million (2014: RMB3 million).

Selling and marketing expenses for 2015 decreased by 10% to RMB227 million (2014: RMB253 million) while contracted sales achieved by the Group (excluding sales by Dalian associates and Shanghai Taipingqiao Lot 116 joint venture, and *en-bloc* sales) increased by 36% to RMB7,656 million (2014: RMB5,616 million). The decrease in selling and marketing expenses in 2015 was related to lower sales commission and marketing expenses incurred.

General and administrative expenses for 2015 decreased by 8% to RMB899million (2014: RMB981 million). The decrease was attributable to the elimination of expenses incurred for the establishment of the fully integrated asset management platform of CXTD Holding, and advisory and consulting costs incurred for the preparation works for its spin-off in 2014.

As a result of the above, *Operating profit* significantly decreased by 61% to RMB1,000 million for 2015 (2014: RMB2,560 million).

Gain on investment properties disposed of represented the gain of 1 & 2 Corporate Avenue located in Shanghai Taipingqiao project disposed during the year.

Increase in fair value of the remaining investment properties amounted to RMB2,970 million for 2015 (2014: RMB2,978 million), of which RMB2,430 million (2014: RMB884 million) was derived from completed investment properties and RMB540 million (2014: RMB2,094 million) from investment properties under construction or development. The increase in fair value was mainly contributed by our completed properties in Shanghai Taipingqiao, THE HUB and Shanghai KIC projects. The paragraph titled "Investment Property" in the Business Review Section offers a detailed description of these properties.

For 2015, *Other gains and losses* amounted to a loss of RMB123 million (2014: RMB26 million), of which RMB439 million (2014: RMB160 million) of the losses were due to rental guarantee arrangements for previously sold commercial properties in Chongqing Tiandi, which was partially offset by a RMB450 million (2014: nil) fair value gain of an option to buy back an investment property in Shanghai Taipingiao project.

Share of losses of associates and joint ventures was RMB314 million in 2015 (2014: RMB173 million), which included an impairment loss on the investment properties and properties under development for sale (net of related taxes) amounting to RMB149 million (2014: RMB119 million) attributable to the Group.

Finance costs, inclusive of exchange differences for 2015 increased by 184% to RMB2,619 million (2014: RMB921 million). Total interest costs for 2015 increased to RMB3,579 million (2014: RMB3,474 million). Of these interest costs, 61% (2014: 77%) or RMB2,185 million (2014: RMB2,676 million) were capitalised as cost of property development, with the remaining 39% (2014: 23%) interest relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for expenses. A significant exchange loss of RMB1,156 million (2014: RMB34 million) was recorded during 2015. This was due to the depreciation of RMB against HKD and USD in 2015, which mainly came from our HKD and USD bank borrowings and senior notes.

For 2015, *Profit before taxation* slightly decreased by 7% to RMB4,088 million (2014: RMB4,418 million), due to the abovementioned factors.

Taxation increased by 20% to RMB2,321 million for 2015 (2014: RMB1,933 million). The effective tax rate for the year 2015 was 51.6% (2014: 32.2%). The increase in effective tax rate resulted from the increase in exchange loss and interest expenses from offshore borrowings that were not deductible in the PRC. Land appreciation tax was levied at progressing rates ranging from 30 percent to 60 percent on the appreciation value, being the proceeds of properties sales less deductible expenditure including costs of land, development and construction.

Profit attributable to shareholders of the Company for 2015 was RMB788 million, a decrease of 56% when compared to 2014 (2014: RMB1,778 million). If stripping out the impacts of an exchange loss of RMB1,156 million and RMB154 million fair value loss of cross currency swaps arising from devaluation of RMB since January 2015, 2015 profit attributable to shareholders would have amounted to RMB2,098 million, representing an 18% increase compared with 2014. Return on equity for 2015 was 2.1% (2014: 4.8%), which was calculated based on profit attributable to shareholders for the year, divided by the average of shareholders' equity at the beginning and closing of the year.

Core earnings of the Group were as follows:

	2015	2014	Change
	RMB'million	RMB'million	%
Profit attributable to shareholders of the Company	**788**	1,778	(56%)
Increase in fair value of the remaining investment properties	**(2,970)**	(2,978)	
Effect of corresponding deferred tax charges	**743**	745	
Realised fair value gains of investment properties disposed	**2,944**	256	
Share of results of associates			
Fair value losses of investment properties	**75**	111	
Effect of corresponding deferred tax charges	**(19)**	(28)	
	773	(1,894)	141%
Non-controlling interests	**311**	31	
Net effect of changes in the valuation of investment properties	**1,084**	(1,863)	158%
Profit/ (loss) attributable to shareholders of the Company before revaluation of the remaining investment properties	**1,872**	(85)	
Add:			
Profit attributable to owners of perpetual capital securities	**316**	311	2%
Profit attributable to owners of convertible perpetual securities	**174**	224	(22%)
Profit attributable to owners of convertible perpetual capital securities	**61**	-	-
Core earnings of the Group	**2,423**	450	438%

Earnings per share was RMB0.10 for 2015 (2014: RMB0.22), which was calculated based on a weighted average of approximately 8,002 million shares (2014: 8,002 million shares) in issue during the year ended 31 December 2015.

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

- Dividends payable to the shareholders of the Company (together with any redemption, repurchase or acquisition of the Company's shares) should not exceed 20% of the Company's consolidated profit for the then most recent two semi-annual periods prior to payment of the dividend, unless certain conditions pursuant to the terms of the senior notes have been met.

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

The Board has resolved to recommend the payment of a 2015 final dividend of HKD0.028 per share (2014: HKD0.04 per share) to the shareholders of the Company.

Together with the 2015 interim dividend of HKD0.022 per share (2014: HKD0.022 per share) paid in September 2015 amounting to RMB146 million, the total dividend for 2015 was RMB335 million (2014: RMB393 million).

Major Acquisition and Disposal

1) In May 2015, the Group entered into an *en-bloc* sales agreement to sell offices at 1 & 2 KIC Corporate Avenue of Shanghai KIC for RMB601 million. The offices have been handed over in December 2015.

2) On 31 August 2015, the Group completed a disposal of 100% equity interest in Brixworth International Limited that indirectly owns 1 & 2 Corporate Avenue located in Shanghai Taipingqiao project for an aggregate cash consideration of approximately RMB6,596 million. The net proceeds was approximately RMB3,990 million, after deducting all related costs, expenses and repayment of bank loans. For details, please refer to the circular issued by the Company dated 14 August 2015.

3) On 10 December 2015, the Group entered into an agreement to dispose of 100% equity interest in Infoshore International Limited ("Infoshore") and the related shareholders' loans for an aggregate cash consideration of approximately RMB4,407 million. Infoshore indirectly held 3 Corporate Avenue located in Shanghai Taipingqiao project. The transaction has been completed in February 2016. For details, please refer to the circular issued by the Company dated 31 December 2015.

4) On 18 December 2015, the Group entered into an agreement to buyback 60.14% equity interest and the related shareholders' loans on Portspin Limited ("Portspin") held by Trophy Property GP Limited, as general partner of and on behalf of Trophy Property Development L.P. and its subsidiaries in two stages: the initial stage in relation to 18.04% of the equity interest in Portspin for a cash consideration of USD156 million settled on 19 January 2016 and the final stage in relation to 42.1% of the equity interest in Portspin for a cash consideration of USD407 million to be settled on 29 December 2017. Portspin indirectly owns a residential property (Lot 116) located in Shanghai Taipingqiao project. After completion of stage 1, the Group's interest in Portspin has increased from 39.86% to 57.90%.

Liquidity, Capital Resources and Gearing Ratio

In February 2014, the Company and CXTD Holding completed a set of agreements with Brookfield. CXTD Holding issued convertible perpetual securities ("CPS") in an aggregate principal amount of USD500 million to Brookfield. The net proceeds raised was approximately USD480 million, after deducting all related costs and expenses. As at the date of this annual report, the Company has applied all the net proceeds (i) as to approximately USD120 million to repay indebtedness; (ii) as to approximately USD286 million to fund capital expenditures related to the Company's real estate development and (iii) as to approximately USD74 million for general working capital purposes. Brookfield has converted the CPS into 21.89% of CXTD Holding shares in September 2015.

In January and February 2015, the Group fully settled the outstanding senior notes issued in 2011 and 2012, which amounted to approximately RMB5,275 million.

On 4 June 2015, the Group issued USD225 million 7.5% Convertible Perpetual Capital Securities ("CPCS"). The CPCS can be converted into ordinary shares of the Company at a fixed conversion price of HK$3.228, subject to customary anti-dilution adjustments. The net proceeds was approximately USD219 million, after deducting all related costs and expenses. As at the date of this annual report, the Company has applied all the net proceeds (i) as to approximately USD150 million to repay indebtedness; (ii) as to approximately USD45 million to fund capital expenditures related to the Company's real estate development and (iii) as to approximately USD24 million for general working capital purposes.

The aforementioned fund raising exercises were carried out to improve and maintain the Group's high liquidity profile.

The structure of the Group's borrowings as of 31 December 2015 is summarised below:

	Total (in RMB equivalent)	Due within one year	Due in more than one year but not exceeding two years	Due in more than two years but not exceeding five years	Due in more than five years
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank and other borrowings					
– RMB	23,416	5,981	4,909	11,648	878
Bank borrowings – HKD	5,540	4,127	1,413	-	-
Bank borrowings – USD	4,381	2,670	349	1,362	-
Senior notes – RMB	2,540	-	2,540	-	-
Senior notes – USD	12,115	-	3,224	8,891	-
Total	**47,992**	**12,778**	**12,435**	**21,901**	**878**

Total cash and bank deposits amounted to RMB10,614 million as of 31 December 2015 (31 December 2014: RMB12,430 million), which included RMB2,989 million (31 December 2014: RMB3,291 million) of deposits pledged to banks and RMB4,281 million (31 December 2014: RMB2,471 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2015, the Group's net debt balance was RMB37,378 million (31 December 2014: RMB35,535 million) and its total equity was RMB46,118 million (31 December 2014: RMB44,922 million). The Group's net gearing ratio was 81% as of 31 December 2015 (31 December 2014: 79%), calculated on the basis of the excess of the sum of convertible bonds, senior notes, bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

Total undrawn banking facilities available to the Group were approximately RMB6,256 million as of 31 December 2015 (31 December 2014: RMB6,405 million).

Pledged Assets

As of 31 December 2015, the Group had pledged certain land use rights, completed properties for investment and sale, properties under development, accounts receivable, and bank and cash balances totalling RMB65,821 million (31 December 2014: RMB56,431 million) to secure its borrowings of RMB26,717 million (31 December 2014: RMB27,070 million).

Capital and Other Development Related Commitments

As of 31 December 2015, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB13,368 million (31 December 2014: RMB13,720 million).

Cash Flow Management and Liquidity Risk

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

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

Exchange Rate and Interest Rate Risks

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

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes and CPCS denominated in USD issued in 2014 and 2015. As a result, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 31 December 2015, the Group has not entered into any currency swaps hedge of RMB against the HKD.

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

As at 31 December 2015, the Group had various outstanding loans that bear variable interest linked to Hong Kong Inter-bank Borrowing Rates ("HIBOR"), London Inter-bank Borrowing Rates ("LIBOR") and the People's Bank of China ("PBOC") Prescribed Interest Rate. The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swaps in which the Group would receive interests at variable rates at HIBOR and pay interests at fixed rate at 0.7%; receive interests at variable rates at LIBOR and pay interests at fixed rates ranging from 0.68% to 0.70% and receive interests ranging from 115% to 125% of the PBOC Prescribed Interest Rate and pay interests at a fixed rate of 7.52% to 7.85%, based on the notional amounts of HKD691 million, USD195 million and RMB656 million, in aggregate.

As at 31 December 2014, the Group entered into a cross currency swap amounting to RMB2,500 million, which will be due on 26 February 2017. Under this swap, the Group would receive interest at a fixed rate of 6.875% per annum and RMB2,500 million at maturity and pay interest semi-annually at a fixed rate from 5.840% to 5.975% per annum, and USD408 million at maturity.

Save as disclosed above, as of 31 December 2015, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk if necessary.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HKD0.028 per share for the year ended 31 December 2015 (2014: HKD0.04 per share). Subject to the Company's shareholders' approval of the final dividend at the annual general meeting to be held on 20 May 2016 (the "AGM"), the final dividend is expected to be paid on or about 16 June 2016 to shareholders whose names appear on the register of members of the Company on 1 June 2016, being the record date. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 1 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 9 May 2016 to Friday, 20 May 2016, both days inclusive, during which period no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on 20 May 2016 shall be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 6 May 2016.

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF SECURITIES

In September 2010, the Company issued RMB2,720 million USD settled 4.5% convertible bonds due 2015 (the "CB"). The Company repurchased some of the CB with an aggregate principal amount of RMB80 million on 18 July 2013. The repurchased bonds had been cancelled in accordance with the terms of the CB. Following the cancellation of the repurchased bonds, the aggregate principal amount of the CB remaining outstanding was RMB2,640 million. Details of the transaction are set out in the announcement of the Company dated 18 July 2013. In addition, on 29 September 2013, the Company redeemed an aggregate principal amount of RMB2,206.5 million of the CB as a result of certain holders of the CB exercised their options to require the Company to redeem the CB in accordance with the terms of the CB. Details of the transaction are set out in the announcement of the Company dated 2 September 2013. Immediately after the redemption, the aggregate principal amount of the CB remaining outstanding was RMB433.5 million. The Company had redeemed all outstanding CB with an aggregate principal amount of RMB433.5 million together with interest and any other amounts payable under the CB at the maturity date on 29 September 2015.

In January 2011, Shui On Development (Holding) Limited ("SODH") issued RMB3,500 million USD settled 7.625% senior notes due 2015 (the "2015 SODH RMB Notes"). Following the completion of the RMB Notes Exchange and Tender Offer (as defined in the announcement of the Company dated 13 May 2014), the aggregate principal amount of the 2015 SODH RMB Notes remained outstanding was RMB1,190.99 million and SODH had fully repaid this outstanding principal amount of the 2015 SODH RMB Notes together with the accrued and unpaid interest upon its maturity on 26 January 2015.

In January 2012, Shui On Development (Singapore) Pte. Ltd. ("SODS") issued SGD250 million 8% senior notes due 2015 (the "2015 SODS Notes"). SODS had fully repaid the principal amount of the outstanding 2015 SODS Notes together with the accrued and unpaid interest upon its maturity on 26 January 2015.

In February and August 2012, SODH issued an aggregate of USD875 million 9.75% senior notes due 2015 (the "2015 SODH USD Notes"). Following the completion of the USD Notes Exchange Offer (as defined in the announcement of the Company dated 13 May 2014), the 2015 SODH USD Notes that remained outstanding was USD457.21 million and SODH had fully repaid this outstanding principal amount of the 2015 SODH USD Notes together with the accrued and unpaid interest upon its maturity on 16 February 2015.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2015.

CORPORATE GOVERNANCE

The Company is committed to enhancing its corporate governance practices appropriately in the conduct and growth of its business, and to pursuing the right balance between conformance and performance in its corporate governance. From time to time, the Company reviews its corporate governance practices to ensure they comply with all the applicable code provisions (the "CG Code") as set out in Appendix 14 of the Listing Rules and aligns its practices with the latest developments of the CG Code. During the year ended 31 December 2015, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code. Further information on the Company's corporate governance practices is set out in the Company's 2015 Annual Report.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2015, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditor.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2015, the number of employees in the Group was 3,359 (31 December 2014: 3,352); which included the headcount of China Xintiandi at 510 (31 December 2014: 459), the headcount of the property management business at 1,766 (31 December 2014: 1,759). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organised by professional bodies and educational institutes.

The Group strongly believes in the principle of equality of opportunity. The remuneration policy of the Group for rewarding its employees is based on their performance, qualifications and competency displayed in achieving our corporate goals.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as of 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year then ended as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

APPRECIATION

I would like to express my sincere gratitude to all our stakeholders who share in our vision: our dedicated staff who worked tirelessly throughout the year to achieve better results for the Company, as well as my fellow Directors, shareholders and business partners whose unwavering support was instrumental in helping the Company actualise our vision.

Before I close, I would like to take the opportunity to welcome Douglas Sung as our new Executive Director and Chief Financial Officer, with whom I look forward to working closely to achieve even greater results for the Company.

The journey in front of us is not without challenge. However, with your support, I am confident that we shall carry forward the momentum created thus far into the year ahead.

By Order of the Board
Shui On Land Limited
Vincent H. S. LO
Chairman

Hong Kong, 16 March 2016

At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman), Mr. Frankie Y. L. WONG and Mr. Douglas H. H. SUNG (Chief Financial Officer); and the independent non-executive directors of the Company are Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY, Mr. David J. SHAW and Mr. Anthony J. L. NIGHTINGALE.

This announcement contains forward-looking statements, including, without limitation, words and expressions such as "expect," "believe," "plan," "intend," "aim," "estimate," "project," "anticipate," "seek," "predict," "may," "should," "will," "would" and "could" or similar words or statements, in particularly statements in relation to future events, our future financial, business or other performance and development, strategy, plans, objectives, goals and targets, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflect our current views with respect to future events, are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including with respect to the following:

- *changes in laws and PRC governmental regulations, policies and approval processes in the regions where we develop or manage our projects;*
- *changes in economic, political and social conditions and competition in the cities we operate in, including a downturn in the property markets;*
- *our business and operating strategies;*
- *our capital expenditure plans;*
- *various business opportunities that we may pursue;*
- *our dividend policy;*
- *our operations and business prospects;*
- *our financial condition and results of operations;*
- *the industry outlook generally;*
- *our proposed completion and delivery dates for our projects;*
- *changes in competitive conditions and our ability to compete under these conditions;*
- *catastrophic losses from fires, floods, windstorms, earthquakes, or other adverse weather conditions, diseases or natural disasters;*
- *our ability to further acquire suitable sites and develop and manage our projects as planned;*
- *availability and changes of loans and other forms of financing;*
- *departure of key management personnel;*
- *performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;*
- *exchange rate fluctuations;*
- *currency exchange restrictions; and*
- *other factors beyond our control.*

This list of important factors is not exhaustive. Additional factors could cause the actual results, performance or achievements to differ materially. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements, which speak only as of the date of this announcement, will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise any forward-looking statements. You should not place undue reliance on any forward-looking information.

** For identification purposes only*