THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in Shui On Land Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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)

MAJOR AND CONNECTED TRANSACTION

IN RELATION TO THE PROPOSED ACQUISITION OF ALL THE REMAINING INTEREST HELD BY BSREP CXTD HOLDINGS L.P. IN CHINA XINTIANDI HOLDING COMPANY LIMITED

All capitalised terms used in this circular have the meaning set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 3 to 9 of this circular.

The Company has obtained written Shareholders' approval for the Acquisition pursuant to Rule 14.44 of the Listing Rules from a closely allied group of Shareholders together holding more than 50% of the voting rights at a general meeting to approve the Acquisition. Accordingly, no Shareholders' meeting will be held to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

* *For identification purpose only*

Hong Kong, 20 February 2019

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the proposed acquisition by China Xintiandi of the Sale Shares and the Sale CPS pursuant to the terms of the Sale and Purchase Agreement;
"associate(s)" "connected person(s)"; "connected person at the subsidiary level"; "subsidiary(ies)"; and "substantial shareholder"	each has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"BSREP CXTD"	BSREP CXTD Holdings L.P., a Cayman Islands exempted limited partnership and a substantial shareholder of CXTD;
"China Xintiandi"	China Xintiandi Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company;
"Company"	Shui On Land Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 272);
"Completion"	completion of the Acquisition;
"Consideration"	the consideration equivalent to approximately HK$4,073,780,000 payable by China Xintiandi to BSREP CXTD in relation to the Acquisition in accordance with the Sale and Purchase Agreement;
"CXTD"	China Xintiandi Holding Company Limited, a company incorporated in the Cayman Islands with limited liability and a non-wholly owned subsidiary of the Company at the date of this circular;
"Director(s)"	the directors of the Company;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Latest Practicable Date"	17 February 2019, being the latest practicable date for ascertaining certain information referred to in this circular prior to its printing;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the sale and purchase agreement dated 28 December 2018 entered into between, inter alia, China Xintiandi and BSREP CXTD in relation to the Acquisition;
"Sale CPS"	all the outstanding perpetual subordinated convertible securities in the principal amount of US$100,000 (equivalent to approximately HK$780,000) issued by CXTD and held by BSREP CXTD;
"Sale Shares"	all the shares in CXTD held by BSREP CXTD constituting approximately 21.894% of all the issued share capital of CXTD, to be acquired by China Xintiandi pursuant to the Sale and Purchase Agreement;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
"Shareholder(s)"	holder(s) of the Share(s);
"Share(s)"	the ordinary share(s) of the Company with nominal value of US$0.0025 each;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"US$"	United States dollars, the lawful currency of the United States of America;
"%"	per cent.

Translation of US$ into HK$ and RMB into HK$ in this circular is based on the approximate exchange rate of US$1.00 to HK$7.80 and HK$1.00 to RMB0.8361, respectively, for information purposes only. Such translations should not be construed as representations that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

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)

Executive Directors:
Mr. Vincent H. S. LO (*Chairman*)
Mr. Douglas H. H. SUNG *(Chief Financial Officer)*
Ms. Stephanie B. Y. LO

Non-executive Director:
Mr. Frankie Y. L. WONG

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

Registered Office:
190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

Place of Business in Hong Kong:
34th Floor, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

20 February 2019

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

IN RELATION TO THE PROPOSED ACQUISITION OF ALL THE REMAINING INTEREST HELD BY BSREP CXTD HOLDINGS L.P. IN CHINA XINTIANDI HOLDING COMPANY LIMITED

INTRODUCTION

On 28 December 2018 (after trading hours), China Xintiandi (a wholly-owned subsidiary of the Company) as purchaser, BSREP CXTD as seller and other parties entered into the Sale and Purchase

* *For identification purpose only*

Agreement, pursuant to which BSREP CXTD has agreed to sell, and China Xintiandi has conditionally agreed to acquire all the interest held by BSREP CXTD in China Xintiandi Holding Company (i.e. CXTD), comprising the Sale Shares (i.e. approximately 21.894% of all the issued shares in the capital of CXTD) and the Sale CPS (i.e. the outstanding perpetual subordinated convertible securities in the principal amount of US$100,000 (equivalent to approximately HK$780,000)).

The purpose of this circular is to provide you with, among other things, further details of the Acquisition and other information required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date

28 December 2018 (after trading hours)

Parties

(1) China Xintiandi (a wholly-owned subsidiary of the Company) as purchaser;

(2) BSREP CXTD as seller; and

(3) the Company and CXTD as other parties to acknowledge the termination of the securityholders' deed relating to the governance of CXTD upon Completion. See paragraph headed "The Sale and Purchase Agreement — Completion" below.

Assets to be acquired

The Sale Shares constitutes approximately 21.894% of the total issued share capital of CXTD and the Sale CPS comprises the outstanding perpetual subordinated convertible securities in the principal amount of US$100,000 (equivalent to approximately HK$780,000). Upon Completion, CXTD will become a wholly-owned subsidiary of the Company.

Consideration

The Consideration payable under the Sale and Purchase Agreement is equivalent to approximately HK$4,073,780,000, comprising RMB3,405,611,700 (equivalent to approximately HK$4,073,000,000) attributable to the Sale Shares, and US$100,000 (equivalent to approximately HK$780,000) to the Sale CPS.

The Consideration shall be paid on Completion.

A wholly-owned subsidiary of the Company has also agreed to arrange a standby letter of credit or similar instrument with a commercial bank in the amount of US$30,000,000 in favor of BSREP CXTD to secure the due performance of China Xintiandi under the Sale and Purchase Agreement. The said standby letter of credit or instrument will only become payable in case Completion does not take place as a result of China Xintiandi's breach under the Sale and Purchase Agreement.

The Consideration is expected to be satisfied by China Xintiandi with internal funding and/or external financing.

The Consideration was determined after arm's length negotiations between China Xintiandi and BSREP CXTD with reference to the audited consolidated net asset value of CXTD at 31 December 2017, CXTD's prospect as a whole when it becomes a wholly-owned subsidiary of the Company and the Consideration amount in US$ terms. The implied acquisition valuation in RMB term represents a 6.7% premium over CXTD's 2017 net asset value. But taking into consideration the RMB depreciation in 2018, the implied premium is only at approximately 1.2%. As negotiations for the Acquisition started prior to June 2018, the parties agreed to use the latest audited consolidated net asset value of CXTD, being the audited consolidated net asset value of CXTD at 31 December 2017, as a reference for determining the Consideration.

The Directors believe that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

Completion will take place on 15 March 2019 (or such other date as the parties to the Sale and Purchase Agreement may agree in writing). The Listing Rules require that a major transaction of the Company must be made conditional on approval by its shareholders. As the Company has obtained the necessary written approval from its shareholders pursuant to Rule 14.44 of the Listing Rules (see paragraph headed "Listing Rules Implications" below), Completion will be unconditional.

Upon Completion, the securityholders' deed relating to the governance of CXTD entered into between the Company, China Xintiandi, BSREP CXTD and CXTD and all other deeds and agreements in relation to the rights and obligations of BSREP CXTD in CXTD will be terminated and all rights of BSREP CXTD in respect of the Group arising from it being a shareholder and holder of perpetual subordinated convertible securities of CXTD under the securityholders' deed and all other deeds and agreements shall be extinguished.

REASONS AND BENEFITS OF THE ACQUISITION

Upon Completion, CXTD will be a wholly-owned subsidiary of the Company. This will consolidate the Company's control of CXTD and provide greater flexibility in the strategic directions and day-to-day management of CXTD. These strategic directions includes to sell or to hold the subject assets in CXTD, the optimal level of leverage, the decision to invest on renovation/upgrading, etc. It is noted that majority and minority shareholders are not always aligned on such critical decisions which may impact the value of the assets. Further, under the existing shareholders' arrangement with BSREP CXTD, there are various reserved matters which BSREP CXTD, as a minority shareholder, would enjoy a veto right (e.g. board appointments at CXTD-level, business plans, dividend policy, financing options etc). The Company believes that by gaining a 100% absolute control of CXTD, there would be more flexibility and autonomy in managing the business of CXTD as the Company would no longer be subject to such veto arrangements.

The Acquisition is also in line with the Group's increasing strategic focus as a premier commercial real estate owner and operator. After the Acquisition, the Company's effective ownership in core Shanghai office and retail assets will increase noticeably and we believe this will create significant long term value for the Group. For example, the operating profit of CXTD increased 26.3% between 2016 and 2018 — the Acquisition will increase the Company's share of potential future rental and operating profit growth. The Company took into account the increase in operating profit (as sustainable result of assets) between 2016 and 2018 but did not take into account the net profit for the years 2016 to 2018 as the Company had a gain from disposal in 2016 and fluctuating valuation gains for the years 2016 to 2018.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the Acquisition are entered into on normal commercial terms and after arm's length negotiations among the parties since June 2018 and are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON CXTD

CXTD is a non-wholly owned subsidiary of the Company and is principally engaged in owning, managing, designing, leasing, marketing and enhancing premium retail, office, hotel and entertainment properties in affluent urban areas in the PRC. CXTD owns several commercial assets in Shanghai and Wuhan which consists of Shanghai Xintiandi, Xintiandi Style, Shui On Plaza, Xintiandi Plaza, The HUB and Wuhan Tiandi.

Set out below is a summary of the audited consolidated financial information of CXTD for the three financial years ended 31 December 2018:

	For the financial year ended 31 December		
	2016	**2017**	**2018**
	RMB	*RMB*	*RMB*
Net profit before taxation	995,000,000 (equivalent to approximately HK$1,190,000,000)	288,000,000 (equivalent to approximately HK$345,000,000)	810,000,000 (equivalent to approximately HK$969,000,000)
Net profit after taxation	758,000,000 (equivalent to approximately HK$907,000,000)	122,000,000 (equivalent to approximately HK$146,000,000)	356,000,000 (equivalent to approximately HK$426,000,000)

The audited consolidated net asset value of CXTD as at 31 December 2017 and 31 December 2018 was approximately RMB14,577,000,000 (equivalent to approximately HK$17,435,000,000) and RMB14,588,000,000 (equivalent to approximately HK$17,448,000,000) respectively.

The aggregate original acquisition cost of approximately 21.894% of the total issued share capital of CXTD by BSREP CXTD was approximately US$499,900,000 (equivalent to approximately HK$3,899,220,000).

INFORMATION ON BSREP CXTD

Brookfield Asset Management Inc. is a leading global alternative asset manager with over US$330 billion in assets under management. It has more than a 115-year history of owning and operating assets with a focus on real estate, renewable power, infrastructure and private equity. Brookfield Asset Management Inc. offers a range of public and private investment products and services, and is co-listed on the New York, Toronto and Euronext stock exchanges under the symbol BAM, BAM.A and BAMA, respectively.

BSREP CXTD, an affiliate of Brookfield Asset Management Inc., is a Cayman Islands exempted limited partnership and holds a minority interest (i.e. the Sale Shares and Sale CPS) in CXTD.

Save as being a minority shareholder of CXTD, BSREP CXTD has no other business relationship, arrangement, agreement, understanding, negotiation or transaction with the Company.

INFORMATION ON CHINA XINTIANDI AND THE GROUP

China Xintiandi is a wholly-owned subsidiary of the Company. It is positioned to be the commercial asset management arm of the Group.

The Company, through its subsidiaries and associates, is one of the leading property developers in the PRC. The Group engages principally in the development and redevelopment, sale, leasing, management and ownership of high-quality residential and commercial mixed-use properties in the PRC.

FINANCIAL IMPACT ON THE GROUP

As CXTD is a subsidiary of the Company, there will be no profit and loss effect resulting from the Acquisition. Based on the audited consolidated net asset value of CXTD at 31 December 2018, the difference between the Consideration and the aggregate amount of such the Sale CPS and 21.894% of net asset value attributable to shareholders of CXTD of approximately RMB381,000,000 (equivalent to approximately HK$456,000,000) will be deducted from the other reserves of the Company's consolidated financial statements.

Assuming the Acquisition is completed at 30 June 2018, as detailed in the unaudited pro forma financial information of the Group upon Completion in Appendix IV to this circular, the total assets at 30 June 2018 would have decreased from RMB106,210,000,000 (equivalent to approximately HK$127,030,000,000) to RMB102,802,000,000 (equivalent to approximately HK$122,954,000,000) on a pro forma basis and the net assets would have decreased from RMB50,002,000,000 (equivalent to approximately HK$59,804,000,000) to RMB46,594,000,000 (equivalent to approximately HK$55,728,000,000) on a pro forma basis. The equity attributable to shareholders would have decreased from RMB39,047,000,000 (equivalent to approximately HK$46,701,000,000) to RMB38,664,000,000 (equivalent to approximately HK$46,243,000,000) on a pro forma basis.

It should be noted that the above pro forma is for illustrative purpose only — it is not an indication of the final financing arrangement of the Acquisition as the Company is still considering the funding options. The actual financial impact in connection with the Acquisition may be different from the above and will be determined based on the financial position of CXTD on the date of Completion.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is one of the leading property developers in the PRC. For the first six months of 2018, rental and related income (excluding income from hotel operations) of the Group was RMB948,000,000 (equivalent to approximately HK$1,134,000,000). Taking into account the rental and related income from joint venture, total rental and related income was RMB1,029,000,000 (equivalent to approximately HK$1,231,000,000) for the first half of 2018, an increase of 14% compared to RMB906,000,000 (equivalent to approximately HK$1,084,000,000) for the first half of 2017.

In July 2018, the Group along with strategic partners successfully won the land auction of Lot 123/124/132 located in the Taipingqiao project for a total gross floor area of 302,689 square metres. This was one of the largest and most centrally located commercial sites available for sale in Shanghai in recent years. The Group holds a 25% stake and intends to hold this project for long term investment.

As discussed in our interim report for the six months ended 30 June 2018, various government measures such as price controls, restrictions on home purchases and granting of sales permits have continued to apply, so that the pace of residential sales has moderated in 2018. We will continue to monitor these changing trends and will quickly adapt our plans to cope with the unfolding scenarios.

For the year 2018, the Group's total contracted property sales including other assets disposal amounted to RMB22,279,000,000 (equivalent to approximately HK$26,646,000,000), an increase of 4% compared to the year 2017.

The Directors are of the view that the PRC economy and the real estate market will continue to grow and will in turn generate strong demand for the Group's for sale and for lease properties.

LISTING RULES IMPLICATIONS

At the date of this circular, CXTD is a non-wholly owned subsidiary of the Company, of which BSREP CXTD holds a minority interest (i.e. the Sale Shares and Sale CPS). Therefore, BSREP CXTD is a substantial shareholder of CXTD and a connected person of the Company at the subsidiary level.

By virtue of Rule 14A.101 of the Listing Rules, the Acquisition is a connected transaction of the Company only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, as the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has any material interest in the Acquisition and the transactions contemplated thereunder and are therefore required to abstain from voting on the Board resolutions for approving the Acquisition and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and the transactions contemplated thereunder and is therefore is required to abstain from voting under the Listing Rules if the Company were to convene an extraordinary general meeting for the approval of the Acquisition.

At the Latest Practicable Date, Shui On Properties Limited, Shui On Investment Company Limited, Chester International Cayman Limited, New Rainbow Investments Limited, Lanvic Limited, Boswell Limited, Merchant Treasure Limited, Doreturn Limited and Smart Will Investments Limited, which are controlled by Shui On Company Limited and together constitute a closely allied group of Shareholders, holds 675,493,996 Shares, 1,477,888,889 Shares, 183,503,493 Shares, 29,847,937 Shares, 633,333,333 Shares, 908,448,322 Shares, 150,000,000 Shares, 323,319,781 Shares and 230,000,000 Shares, respectively, and together represent approximately 57.20% of the issued share capital of the Company at the Latest Practicable Date. The Company has obtained the written approval of Shui On Properties Limited, Shui On Investment Company Limited, Chester International Cayman Limited, New Rainbow Investments Limited, Lanvic Limited, Boswell Limited, Merchant Treasure Limited, Doreturn Limited and Smart Will Investments Limited on the Sale and Purchase Agreement and the Acquisition pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting will be convened to consider the Acquisition.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

The unaudited consolidated financial information of the Group for the six months ended 30 June 2018; and the audited consolidated financial statements of the Group (i) for the year ended 31 December 2017; (ii) for the year ended 31 December 2016; and (iii) for the year ended 31 December 2015, all of which have been published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.shuionland.com):

(a) the interim report of Company for the six months ended 30 June 2018 published on 19 September 2018 (pages 31 to 71):
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0919/LTN20180919340.pdf

(b) the annual report of the Company for the year ended 31 December 2017 published on 16 April 2018 (pages 121 to 227):
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0416/LTN20180416320.pdf

(c) the annual report of the Company for the year ended 31 December 2016 published on 20 April 2017 (pages 121 to 223):
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0420/LTN20170420232.pdf

(d) the annual report of the Company for the year ended 31 December 2015 published on 14 April 2016 (pages 117 to 219):
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0414/LTN20160414546.pdf

2. STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 31 December 2018, being the latest practicable date for the purpose of determining this indebtedness of the Group prior to the printing of this circular, the Group had total borrowings amounting to approximately RMB40,173,000,000, details of which are as follows:

(i) senior notes of the Group with the aggregate carrying amount of RMB7,424,000,000 (the aggregate principal amount of approximately RMB7,348,000,000) which were unsecured and guaranteed;

(ii) bank borrowings of the Group with the aggregate carrying amount of approximately RMB26,321,000,000 (the aggregate principal amount of approximately RMB26,514,000,000), of which RMB15,565,000,000 (the corresponding principal amount of approximately RMB15,742,000,000) were unsecured, and RMB10,756,000,000 (the corresponding principal amount of approximately RMB10,772,000,000) were secured by certain assets of the Group. Amongst these bank borrowings, borrowings with the aggregate carrying amount of RMB18,963,000,000 (the corresponding aggregate principal amount of RMB19,148,000,000) were guaranteed; and the remaining borrowings with the aggregate carrying amount of RMB7,358,000,000 (the corresponding aggregate principal amount of RMB7,366,000,000) were unguaranteed;

(iii) receipts under securitisation arrangements of the Group with the carrying amount of RMB524,000,000 (the corresponding principal amount of RMB525,000,000) which were secured and guaranteed;

(iv) amounts due to a non-controlling shareholder of a subsidiary of the Group with the carrying amount of RMB8,000,000, which were unsecured and not guaranteed;

(v) amounts due to an associate company of the Group with the carrying amount of RMB383,000,000 which were unsecured and not guaranteed;

(vi) amounts due to a joint venture of the Group with the carrying amount of RMB384,000,000 which were unsecured and not guaranteed;

(vii) amounts due to fellow subsidiaries of the Group with the aggregate carrying amount of RMB13,000,000, which were unsecured and not guaranteed;

(viii) loans from a non-controlling shareholder of subsidiaries of the Group with the aggregate carrying amount of RMB1,710,000,000, which were unsecured and not guaranteed; and

(ix) gross liabilities for acquisition of non-controlling interest and convertible perpetual securities with the aggregate carrying amount of RMB3,406,000,000 which were unsecured and not guaranteed.

Mortgages and charge

At 31 December 2018, the Group's secured borrowings were secured by certain of the Group's bank deposits, investment properties, property, plant and equipment, prepaid lease payments, properties under development for sale, properties held for sale, accounts receivables, benefits accrued to the relevant properties and equity interests in certain subsidiaries.

Contingent liabilities

In addition, at 31 December 2018, the Group had the following contingent liabilities:

(i) The Group provided guarantees in the aggregate amount of RMB1,398,000,000 on 31 December 2018 to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receipt of the building ownership certificates of the respective properties by the banks from the customers as a pledge to secure the mortgage loans granted.

(ii) The Group arranged a standby letter of credit with a commercial bank in the amount of US$30,000,000 in favor of BSREP CXTD to secure the due performance of China Xintiandi under the Sale and Purchase Agreement. The said standby letter of credit will only become payable in case Completion does not take place as a result of China Xintiandi's breach under the Sale and Purchase Agreement.

Liabilities arising from rental guarantee arrangement

The Group disposed of a number of properties to an independent third party (the "Purchaser") in previous years. As part of the disposal, the Group also agreed to provide the Purchaser with rental guarantees whereby the Group agreed to compensate the Purchaser on a yearly basis.

The compensation is calculated from the date when the first instalment was received till January 2019 which could be further extended by the Purchaser for three times, each for a one-year period when certain conditions are met - the shortfall between 8% of the consideration receivable by the Group from the Purchaser and the net operating income to be generated by the property.

At 31 December 2018, the carrying amount of financial liabilities arising from the rental guarantee arrangement amounted to RMB549,000,000. In respect of the guarantee period from 31 December 2018 and beyond, the aggregate maximum amount which the Group could be required to settle as if there is no operating income to be generated by the disposed properties was RMB716,000,000.

Save as aforementioned and apart from intra-group liabilities within the Group and normal trade business, at the close of business on 31 December 2018, the Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the payment of the Consideration to be made to BSREP CXTD by the Group, the present financial resources available to the Group including but not limited to revenue generated by its principal operations and funds received from disposal of properties, cash and cash equivalents on hand, existing banking facilities and senior notes, successful refinancing of certain banking facilities and senior notes; the Group will have sufficient working capital for its business for the next twelve months from the date of this circular.

The following is the text of a report received from the independent reporting accountants, Deloitte Touche Tohmatsu, prepared for the sole purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF CHINA XINTIANDI HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF SHUI ON LAND LIMITED

Introduction

We report on the historical financial information of China Xintiandi Holding Company Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages II-3 to II-91, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2016, 2017 and 2018, the statements of financial position of the Target Company as at 31 December 2016, 2017 and 2018, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of Shui On Land Limited (the "Company") dated 20 February 2019 (the "Circular") in connection with the proposed acquisition of all the remaining interest held by BSREP CXTD Holdings L.P. in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 1.2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement. Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 1.2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's and Target Company's financial position as at 31 December 2016, 2017 and 2018 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 1.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparation of the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page II-3 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which contains information about the dividends paid or declared by the Target Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 February 2019

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on previously issued consolidated financial statements of the Target Group for the Track Record Period. The previously issued financial statements were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP in the People's Republic of China in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Historical Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest million ("RMB'million") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	NOTES	**2016** *RMB'million*	**2017** *RMB'million*	**2018** *RMB'million*
Turnover	5	1,068	1,133	1,275
Property expenses		(285)	(274)	(318)
Gross profit		783	859	957
Other income	6	54	46	37
General and administrative expenses		(190)	(157)	(177)
Operating profit	7	647	748	817
Gain (loss) on disposal of investment properties through disposal of subsidiaries	30	476	(19)	—
Increase in fair value of the remaining investment properties	13	322	71	493
Finance costs, inclusive of exchange differences	8	(460)	(370)	(401)
Change in fair value of derivative financial instruments	24	10	(142)	(99)
Profit before taxation		995	288	810
Taxation	9	(237)	(166)	(454)
Profit for the year		758	122	356
Attributable to:				
Equity holders of the Target Company		727	102	275
Non-controlling interests		31	20	81
		758	122	356
Earnings per share	12			
- Basic		RMB568	RMB80	RMB215

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2016 *RMB'million*	2017 *RMB'million*	2018 *RMB'million*
Profit for the year	758	122	356
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Fair value adjustment on currency forward contract designated as cash flow hedges	—	(13)	24
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	—	13	(26)
Reclassification from hedge reserve to profit or loss arising from interest rate swaps	(1)	—	—
Other comprehensive income for the year	(1)	—	(2)
Total comprehensive income for the year	757	122	354
Total comprehensive income attributable to:			
Equity holders of the Target Company	726	102	273
Non-controlling interests	31	20	81
	757	122	354

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	**2016** *RMB'million*	**2017** *RMB'million*	**2018** *RMB'million*
Non-current assets				
Investment properties	13	21,500	22,323	23,022
Property, plant and equipment	14	758	151	144
Prepaid lease payments	15	6	6	6
Interests in a joint venture	16	765	25	25
Accounts receivable	17	183	172	142
Derivative financial instruments	24	460	342	243
Pledged bank deposits	18	870	945	347
Deferred tax assets	28	126	174	197
		24,668	24,138	24,126
Current assets				
Accounts receivable, deposits and prepayments	17	226	127	176
Loans to/amounts due from a joint venture	16	16	654	—
Amounts due from fellow subsidiaries	19	112	102	95
Pledged bank deposits	18	411	—	492
Bank balances and cash	18	909	834	989
		1,674	1,717	1,752
Current liabilities				
Accounts payable, deposits received and accrued charges	20	765	718	747
Bank borrowings - due within one year	23	1,128	115	3,094
Amounts due to an intermediate holding company	22	—	674	273
Amounts due to fellow subsidiaries	19	3	1	1
Amounts due to a non-controlling shareholder	21	8	8	8
Tax liabilities		36	17	179
Derivative financial instruments	24	—	24	—
		1,940	1,557	4,302
Net current (liabilities) assets		(266)	160	(2,550)
Total assets less current liabilities		24,402	24,298	21,576

	NOTES	**2016** *RMB'million*	**2017** *RMB'million*	**2018** *RMB'million*
Capital and reserves				
Share capital	25	—	—	—
Reserves		13,757	13,859	13,815
Equity attributable to shareholders of the Target Company		13,757	13,859	13,815
Convertible perpetual securities	27	1	1	1
Non-controlling interests		712	717	772
		713	718	773
Total equity		14,470	14,577	14,588
Non-current liabilities				
Bank borrowings - due after one year	23	5,885	6,347	3,433
Amounts due to an intermediate holding company	22	767	—	—
Deferred tax liabilities	28	3,280	3,374	3,555
		9,932	9,721	6,988
Total equity and non-current liabilities		24,402	24,298	21,576

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

	NOTES	**2016** *RMB'million*	**2017** *RMB'million*	**2018** *RMB'million*
Non current assets				
Investment in subsidiaries	39	—	—	—
Amounts due from subsidiaries		6,873	6,780	6,308
		6,873	6,780	6,308
Current assets				
Bank balances and cash	18	16	38	44
Current liabilities				
Accounts payable, deposits received and accrued charges	20	1	1	1
Bank borrowings - due within one year	23	—	—	103
Amounts due to an intermediate holding company	22	—	674	273
		1	675	377
Net current assets (liabilities)		15	(637)	(333)
Total assets less current liabilities		6,888	6,143	5,975
Capital and reserves				
Share capital	25	—	—	—
Reserves	38	3,294	3,273	3,077
Equity attributable to shareholders of the Target Company		3,294	3,273	3,077
Convertible perpetual securities	27	1	1	1
Total equity		3,295	3,274	3,078
Non-current liabilities				
Amounts due to subsidiaries		2,826	2,869	2,897
Amounts due to an intermediate holding company	22	767	—	—
		3,593	2,869	2,897
Total equity and non-current liabilities		6,888	6,143	5,975

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Target Company										
	Share capital *RMB'million*	**Share premium** *RMB'million*	**Hedge reserve** *RMB'million*	**Other reserves** *RMB'million* (Note 26)	**Property revaluation reserve** *RMB'million*	**Retained earnings** *RMB'million*	**Sub-total** *RMB'million*	**Convertible perpetual securities** *RMB'million*	**Non-controlling interests** *RMB'million*	**Sub-total** *RMB'million*	**Total** *RMB'million*
At 1 January 2016	—	3,209	1	(482)	33	14,504	17,265	16	736	752	18,017
Profit for the year	—	—	—	—	—	727	727	—	31	31	758
Reclassification from hedge reverse to profit or loss arising from interest rate swaps (note 24)	—	—	(1)	—	—	—	(1)	—	—	—	(1)
Total comprehensive income for the year	—	—	(1)	—	—	727	726	—	31	31	757
Distribution to owners of convertible perpetual securities	—	—	—	—	—	—	—	(15)	—	(15)	(15)
Disposal of subsidiaries (note 30)	—	—	—	—	—	—	—	—	(41)	(41)	(41)
Dividends paid to a non-controlling interest	—	—	—	—	—	—	—	—	(14)	(14)	(14)
Total dividends of US$504.08 per share (note 11)	—	—	—	—	—	(4,234)	(4,234)	—	—	—	(4,234)
At 31 December 2016	—	3,209	—	(482)	33	10,997	13,757	1	712	713	14,470

	Attributable to equity holders of the Target Company										
	Share capital *RMB'million*	**Share premium** *RMB'million*	**Hedge reserve** *RMB'million*	**Other reserves** *RMB'million* *(Note 26)*	**Property revaluation reserve** *RMB'million*	**Retained earnings** *RMB'million*	**Sub-total** *RMB'million*	**Convertible perpetual securities** *RMB'million*	**Non-controlling interests** *RMB'million*	**Sub-total** *RMB'million*	**Total** *RMB'million*
Profit for the year	—	—	—	—	—	102	102	—	20	20	122
Fair value adjustments on currency forward contract designated as cash flow hedges	—	—	(13)	—	—	—	(13)	—	—	—	(13)
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	—	—	13	—	—	—	13	—	—	—	13
Total comprehensive income for the year	—	—	—	—	—	102	102	—	20	20	122
Dividends paid to a non-controlling interest	—	—	—	—	—	—	—	—	(15)	(15)	(15)
At 31 December 2017	—	3,209	—	(482)	33	11,099	13,859	1	717	718	14,577

	Attributable to equity holders of the Target Company										
	Share capital *RMB'million*	Share premium *RMB'million*	Hedge reserve *RMB'million*	Other reserves *RMB'million* *(Note 26)*	Property revaluation reserve *RMB'million*	Retained earnings *RMB'million*	Sub-total *RMB'million*	Convertible perpetual securities *RMB'million*	Non-controlling interests *RMB'million*	Sub-total *RMB'million*	Total *RMB'million*
Profit for the year	—	—	—	—	—	275	275	—	81	81	356
Fair value adjustments on currency forward contract designated as cash flow hedges	—	—	24	—	—	—	24	—	—	—	24
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	—	—	(26)	—	—	—	(26)	—	—	—	(26)
Total comprehensive income for the year	—	—	(2)	—	—	275	273	—	81	81	354
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(26)	(26)	(26)
Total dividends of US$35.67 per share (note 11)	—	—	—	—	—	(317)	(317)	—	—	—	(317)
At 31 December 2018	—	3,209	(2)	(482)	33	11,057	13,815	1	772	773	14,588

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	**2016** *RMB'million*	**2017** *RMB'million*	**2018** *RMB'million*
Operating activities				
Profit before taxation		995	288	810
Adjustments for:				
Depreciation of property, plant and equipment		32	19	13
Finance costs, inclusive of exchange differences		460	370	401
Interest income		(52)	(44)	(29)
(Gain) loss on disposal of investment properties through disposal of subsidiaries		(476)	19	—
Increase in fair value of the remaining investment properties		(322)	(71)	(493)
(Increase) decrease in fair value of call option to buy back an investment property		(10)	118	99
Fair value loss on other derivative financial instruments		—	24	—
Operating cash flows before movements in working capital		627	723	801
(Increase) decrease in accounts receivable, deposits and prepayments		(64)	12	(19)
(Decrease) increase in accounts payable, deposits received and accrued charges		(106)	45	19
(Increase) decrease in amounts due from fellow subsidiaries, net		(55)	8	7
Decrease in amounts due to non-controlling interests		(3)	—	—
Cash generated from operations		399	788	808
Tax paid		(708)	(139)	(134)
Net cash (used in) from operating activities		(309)	649	674

	NOTES	**2016** *RMB'million*	**2017** *RMB'million*	**2018** *RMB'million*
Investing activities				
Interests received		56	46	43
Purchase of property, plant and equipment		(30)	(9)	(6)
Proceeds from disposal of property, plant and equipment		193	—	—
Additions to investment properties		(243)	(247)	(196)
Repayments from a joint venture		4	100	640
Net cash inflow on disposal of a subsidiary	30	3,633	79	—
Placement of pledged bank deposits		(1,276)	(75)	(254)
Withdrawal of pledged bank deposits		1,278	386	360
Net cash from investing activities		3,615	280	587
Financing activities	37			
Payment of dividends		(4,234)	—	(69)
Distribution to owners of convertible perpetual securities		(15)	—	—
Dividend payments to a non-controlling interest		(14)	(15)	(26)
New bank borrowings raised		4,865	1,648	104
Repayments of bank borrowings		(5,892)	(2,105)	(121)
Settlement for derivative financial instruments designated as cash flow hedge		—	(28)	—
Interests paid		(396)	(413)	(335)
Repayments to an intermediate holding company		—	(100)	(656)
Advances from shareholders		—	715	—
Repayments to shareholders		—	(699)	—
Net cash used in financing activities		(5,686)	(997)	(1,103)
Net (decrease) increase in cash and cash equivalents		(2,380)	(68)	158
Cash and cash equivalents at the beginning of the year		3,282	909	834
Effect of foreign exchange rate changes		7	(7)	(3)
Cash and cash equivalents at the end of the year		909	834	989
Analysis of the balances of cash and cash equivalents				
Bank balances and cash		909	834	989

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

1.1 General information

The Target Company was incorporated on 27 October 2011 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office and principal place of business of the Target Company are 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and 23/F., Shui On Plaza, 333 Huaihai Zhong Road, Shanghai, the People's Republic of China ("PRC"), respectively.

The immediate holding company of the Target Company is China Xintiandi Limited, a limited liability company incorporated in the Cayman Islands. An intermediate holding company of the Target Company is Shui On Land Limited ("SOL"), a limited liability company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The directors of the Target Company consider that its ultimate holding company is Shui On Company Limited ("SOCL"), a private limited liability company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling party is Mr. Vincent H.S. Lo, who is the director of the Target Company and the Chairman and Executive Director of SOL and SOCL.

The Target Company acts as an investment holding company. The principal activities of the Target Company's major subsidiaries are set out in note 40.

The Historical Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Target Company.

1.2 Basis of preparation of the Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622).

The directors of the Target Company have given careful consideration in preparing the Historical Financial Information, in light of the fact that the Target Group's current liabilities exceeded its current assets by RMB2,550 million as at 31 December 2018 and the Target Group has bank borrowings due within one year totaling RMB3,094 million as at 31 December 2018. The directors of the Target Company have taken into account the current value of the Group's properties and good track records and relationship with the banks, and therefore are confident that the Target Group can refinance the bank borrowings due within one year, which would allow the Target Group to have sufficient working capital for its present requirement for the next twelve months from 31 December 2018. Accordingly, the Historical Financial Information is prepared on a going concern basis.

No statutory financial statements of the Target Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

2. APPLICATION OF NEW AND REVISED IFRSS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Target Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2018 throughout the Track Record Period, except that the Target Group has adopted IFRS 9 "Financial Instruments" ("IFRS 9") and IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") starting from 1 January 2018. The adoption of IFRS 9 and IFRS 15 are summarised below:

2.1 Impacts and changes in accounting policies of application on IFRS 15

The Target Group has applied IFRS 15 for the first time in the year ended 31 December 2018. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Target Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Target Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and the related interpretations.

The Target Group recognises rental income and rental related income from offices and commercial/mall leasing, asset management fee income and property management fee income.

Rental and rental related income from offices and commercial/mall leasing will continue to be accounted for in accordance with IAS 17 "Leases", whereas asset management fee income, property management fee income will be accounted for under IFRS15.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

For provision of asset and property management services, as the customer simultaneously receives and consumes the benefits provided by the Target Group's performance, the revenue is recognised over time when the performance obligations are satisfied. The asset and property management service fees are billed to the clients periodically (either monthly or quarterly billing period).

2.1.2 Summary of effects arising from initial application of IFRS 15

Taking into account the changes in accounting policy arising from initial application of IFRS 15 as stated in Note 2.1.1, the directors of the Target Company considered that the initial application of IFRS 15 has no material impact to the consolidated financial statements of the Target Group or the timing and amount of revenue recognised.

2.2 Impacts and changes in accounting policies of application on IFRS 9

For the year ended 31 December 2018, the Target Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and leases receivable) and 3) general hedge accounting.

The Target Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

In addition, the Target Group applied the hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Details of accounting policies resulting from application of IFRS 9 are set out in note 3.

2.2.1 Summary of effects arising from initial application of IFRS 9

The Target Group has undertaken an assessment of the classification and measurement requirements and has not identified any significant impact on the Target Group's consolidated financial statements.

Impairment under ECL model

The IFRS 9 impairment model requires the recognition of "expected credit losses", in contrast to the requirement to recognise "incurred credit losses" under IAS 39. Given the nature of majority of its financials assets including accounts receivable which are due from counterparties without material credit risk concerns, at the time of transition the implementation of this standard has not had any significant impact on the Target Group's consolidated financial statements.

The Target Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable. To measure the ECL, accounts receivable have been assessed individually for debtors with significant balances or grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of amounts due from fellow subsidiaries and loans to/amounts due from joint ventures are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

The application of the IFRS 9 has no significant impact on the provision of impairment of financial assets for the year ended 31 December 2018 and retained earnings at 1 January 2018.

Hedge accounting

The Target Group has elected to adopt the new general hedge accounting in IFRS 9. This requires the Target Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Target Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Target Group actually hedges and the quantity of the hedging instrument that the Target Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Target Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

New and revised IFRSs in issue but not yet effective

At the date of this report, the Target Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except as described below, the directors of the Target Company anticipate that the application of other new and amendments to IFRSs and the new interpretation will have no material impact on the consolidated financial statements of the Target Group in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability must be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Target Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under IFRS 16, lease payments in relation to lease liability will be allocated into principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Target Group has already recognised prepaid lease payments for leasehold lands where the Target Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Target Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

In addition, the Group currently considers refundable rental deposits received of RMB194 million, RMB320 million and RMB364 million as at 31 December 2016, 2017 and 2018, as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits received would be considered as advance lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and derivative financial instruments which are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies adopted are set out as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Changes in the Target Group's ownership interests in existing subsidiaries

When the Target Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the shareholder of the Target Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Target Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in a joint venture.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Cost incurred for investment properties under construction or development comprises development expenditure including professional charges directly attributable to the development and borrowing costs, and these costs are capitalised as part of the carrying amount of the investment properties under construction of development during the development period. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the property) is included in the profit or loss in the period in which the property is derecognised.

Owner-occupied properties are transferred to investment properties when and only when there is a change in use evidenced by the end of owner occupation. At the date of transfer, the properties are measured at their fair value, with any gain being recognised in other comprehensive income and accumulated in "property revaluation reserve", which will not be reclassified to profit or loss at the time of disposal (it will instead be transferred to retained earnings at the time of disposal), while with any loss being recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments

Prepaid lease payments for leasehold land classified as operating leases are charged to the profit or loss on a straight-line basis over the period of the land use rights.

Interests in a joint venture

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

The results and assets and liabilities of joint ventures are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Target Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Target Group's share of the profit or loss and other comprehensive income of the joint venture. When the Target Target Group's share of losses of a joint venture exceeds the Target Group's interests in that joint venture (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the joint venture), the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Target Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Target Group transacts with a joint venture of the Target Group, profits and losses resulting from the transactions with the joint venture are recognised in the Historical Financial Information only to the extent of interests in the joint venture that are not related to the Target Group.

Impairment on tangible assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments (before the adoption of IFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Group's financial assets that include loans to/amounts due from a joint venture, accounts receivable, amounts due from fellow subsidiaries, pledged bank deposits, restricted bank balances, and bank balances and cash are classified as loans and receivables in accordance with IAS 39. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using an effective interest method at the end of each subsequent period.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss of loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

A financial instrument issued by a group entity, which includes no contractual obligation for the Target Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Target Group, is classified as an equity instrument and is initially recorded at the proceeds received.

A non-derivative contract that will or may oblige the Target Group to deliver a fixed number of a group entity's own ordinary shares (subject to anti-dilutive adjustments) is classified as an equity instrument of the Target Group. A derivative contract that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of a group entity's own equity instruments (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity.

Convertible perpetual securities issued by the Target Company that have the above characteristics are classified as equity instruments.

Financial liabilities at amortised cost

The Target Group's financial liabilities (including accounts payable, amounts due to an intermediate holding company, fellow subsidiaries and a non-controlling shareholder and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Target Group has designated certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Target Group documents the relationship between the hedging instrument and hedging item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Target Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of "hedge reserve". The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in "hedge reserve" are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statements of profit or loss as the recognised hedged item.

Hedge accounting is discontinued when the Target Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in "hedge reserve" at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial instruments (under IFRS 9)

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

In addition, the Target Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Target Group recognises a loss allowance for ECL on financial assets and other items which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Target Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Target Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Irrespective of the above analysis, the Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*. If the Target Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Target Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Target Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Target Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

A financial instrument issued by a group entity, which includes no contractual obligation for the Target Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Target Group, is classified as an equity instrument and is initially recorded at the proceeds received.

A non-derivative contract that will or may oblige the Target Group to deliver a fixed number of a group entity's own ordinary shares (subject to anti-dilutive adjustments) is classified as an equity instrument of the Target Group. A derivative contract that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of a group entity's own equity instruments (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity.

Convertible perpetual securities issued by the Target Company that have the above characteristics are classified as equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Target Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Target Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Target Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Target Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Target Group actually hedges and the quantity of the hedging instrument that the Target Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Target Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'change in fair value of derivative financial instruments' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Discontinuation of hedge accounting

The Target Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition of financial liabilities

The Target Group derecognizes financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Contingent rents are recorded as income in the periods in which they are earned.

Rental income which is derived from the Target Group's ordinary course of business are presented as revenue.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in a joint venture, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies under "Hedge accounting" above).

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Revenue recognition (under IAS 18 "Revenue" for the two years ended 31 December 2017)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Asset management fee income and property management fee income are recognised in profit or loss when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Target Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing above.

Revenue recognition (upon application of IFRS 15 on 1 January 2018)

Under IFRS 15, The Target Group recognizes 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 customers.

A performance obligation represents a good and service (or a bundle of goods and services) that is distinct or a series of distinct goods or service that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;

- the Target Group's performance creates and enhances an asset that the customer controls as the Target Group performs; or

- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Asset and property management services

Revenue from asset and property management services are recognised over time, and the progress measured using the output method. The asset and property management service fees are billed to the clients periodically (either monthly or quarterly billing period). The Target Group has a right to consideration from its clients in an amount that corresponds directly with the value to the customers of the Target Group's performance completed to date. Under such arrangement, IFRS 15 provides a practical expedient whereby the Target Group may recognize revenue based on the amount it has a right to invoice to the clients.

The Target Group elected to use the practical expedient and therefore recognized the asset and property management services revenue when it has right to invoice the clients, usually in the form of a monthly/quarterly statement, and the customers confirmed the acceptance of the invoice.

Revenue from asset management services contain variable consideration as the management service revenue consists of basic management fees which are calculated based on fair value of the assets and properties under management (which are adjusted periodically) and performance management fees which are calculated based on the financial performance of the assets and properties under management. The Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration, to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. Therefore, the transaction price which comprises the variable consideration related to the basic management fee is allocated to each individual monthly or quarterly billing period because the basic management fee relates specifically to the entity's efforts to provide management services during the monthly or quarterly billing period. The performance management fees are not included as it is not highly probable that the performance fees will not be subject to significant reversal.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Rental and rental related income

The Target Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing above.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 3, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Target Company have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Deferred taxation on investment properties

In measuring the Target Group's deferred taxation on certain investment properties measured at fair value, the directors of the Target Company have determined that the presumption that the carrying amounts of these investment properties measured using the fair value model were recovered entirely through sales was not rebutted. The directors of the Target Company have considered whether additional land appreciation tax ("Land Appreciation Tax") is required regarding potential asset transfers. After assessment, the directors of the Target Company have concluded that the deferred tax liabilities recognised are adequate.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

The Target Group's certain assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the management of the Target Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Target Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the management of the Target Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Target Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Target Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations will be reported to the directors of the Target Company for appropriate actions to be taken.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed in notes 13, 24 and 36(c).

Fair value of a call option to buy back an investment property disposed of in previous years

In previous years, the Target Group disposed of an investment property through disposal of the equity interest in a subsidiary. Based on the relevant sale and purchase agreement entered into in previous years, the Target Group was granted a call option which enables the Target Group to buy back the equity interest in that subsidiary within two months prior to five years or seven years after the date of disposal (i.e. 18 December 2013) at a consideration equals to the original consideration plus a premium per annum. As at 31 December 2016, 2017 and 2018, the fair value of the call option was estimated to be approximately RMB460 million, RMB342 million and RMB243 million respectively with reference to the fair value of similar properties within the same locality, as of that date. The Target Group has engaged an independent valuer to estimate the fair value of the option as at 31 December 2016, 2017 and 2018. Details of the methodology and assumptions are disclosed in note 24 to the consolidated financial statements. The fair value of the option was included in the "derivative financial instruments" line item of the Target Group's consolidated statements of financial position as at 31 December 2016, 2017 and 2018. In the opinion of the directors of the Target Company, the methodology and assumptions used in estimating the fair value of the option were appropriate and reasonable. Where the call option is not exercised in subsequent years or when the fair value of the underlying property decreases, the Target Group will recognise a loss in the profit or loss in subsequent years.

5. TURNOVER AND SEGMENT INFORMATION

An analysis of the turnover of the Target Group for the Track Record Period is as follows:

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
Types of services			
Rental income received from investment properties	860	879	944
Property management fee income	24	30	99
Rental related income	116	137	136
Asset management fee income	68	87	96
	1,068	1,133	1,275
Timing of revenue recognition under IFRS 15			
Over time	92	117	195
Rental income and rental related income	976	1,016	1,080
	1,068	1,133	1,275

Asset and property management service revenue is recognized at the amount to which the Target Group has the right to invoice for services performed, therefore, under practical expedients allowed by IFRS 15, the Target Group does not disclose the value of unsatisfied performance obligations under asset and property management services.

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Target Group) reviews the overall results and financial position of the Target Group as a whole prepared based on the same accounting policies as set out in Note 3. Accordingly, the Target Group has only one reportable segment and no further analysis of this single segment is present.

All of the Target Group's turnover and contribution to operating profit is attributable to customers in the PRC during the Track Record Period. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Target Group's non-current assets is shown as the assets are substantially located in the PRC.

During the years ended 31 December 2016, 2017 and 2018, there was no revenue from transactions with a single external customer amounted to 10% or more of the Target Group's total revenue.

6. OTHER INCOME

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Interest income from banks	18	13	22
Interest income from loans to a joint venture (note 16)	34	31	7
Sundry income	2	2	8
	54	46	37

7. OPERATING PROFIT

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Operating profit has been arrived at after charging:			
Auditor's remuneration	2	2	2
Depreciation of property, plant and equipment	32	19	13
Employee benefits expenses			
Directors' emoluments			
Fees	1	1	1
Salaries, bonuses and allowances	8	6	8
	9	7	9
Other staff costs			
Salaries, bonuses and allowances	104	104	105
Retirement benefits costs	12	9	14
	116	113	119
Total employee benefits expenses	125	120	128

8. FINANCE COSTS, INCLUSIVE OF EXCHANGE DIFFERENCES

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Interest on bank borrowings	388	315	324
Net interest expense from interest rate swaps designated as cash flow hedges	1	—	—
Interests on amounts due to shareholders (note 34)	—	18	—
Interests on amounts due to an intermediate holding company (note 34)	—	58	7
Other finance cost	—	10	7
Total interest expense charged to profit or loss	389	401	338
Net exchange loss (gain) on bank borrowings and other financing activities	71	(31)	63
	460	370	401

9. TAXATION

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
PRC Enterprise Income Tax			
- Current provision	110	114	118
PRC Withholding tax			
- Current provision	5	6	178
Deferred taxation (note 28)			
- Provision for the year	122	46	158
	237	166	454

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

PRC Enterprise Income Tax ("EIT") has been provided at the applicable income tax rate of 25% for the years ended 31 December 2016, 2017 and 2018 on the assessable profits of the PRC subsidiaries of the Target Group during the respective years.

The PRC EIT Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, and at rate of 10% (5% if obtained the Hong Kong residents) for companies incorporated in the BVI, which are the beneficial owners of the dividend received. As at 31 December 2016, 2017 and 2018, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statements of profit or loss as follows:

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
Profit before taxation	995	288	810
PRC Enterprise Income Tax at 25%	249	72	203
Deferred tax provided for withholding tax on income derived in the PRC	13	13	13
Tax effect of expenses not deductible for tax purposes	65	88	95
Tax effect of income not taxable for tax purposes	(4)	(16)	(11)
Tax effect of tax losses not recognised	1	8	—
Tax effect of utilisation of tax losses previously not recognised	—	(1)	(6)
Difference of income tax arising on disposal of subsidiaries (note)	(87)	2	—
Withholding tax	—	—	160
Tax charge for the year	237	166	454

Note: EIT on disposals of subsidiaries is calculated at 10% of the difference between consideration and the registered capital of the relevant subsidiary incorporated in the PRC.

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

The directors of the Target Company represent key management personnel of the Target Group having authority and responsibility for planning, directing and controlling activities of the Target Group.

Remuneration paid for the directors of the Target Company as follows:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Fees	600	606	592
Salaries	2,813	5,302	4,014
Other benefits	93	170	210
Performance incentive payments	5,204	831	4,216
Total	8,710	6,909	9,032

Certain directors of the Target Company were granted share options of SOL in respect of their services to SOL. Those share options were fully vested before 1 January 2016.

The five highest paid employees of the Target Group during the years ended 31 December 2016, 2017 and 2018 included two directors, whose remuneration are included in above. Details of the remuneration for the year of the remaining three highest paid employees who are not directors of the Target Company are as follows:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Salaries	6,085	6,358	8,598
Other benefits	1,854	1,944	2,034
Performance related incentive payments	1,080	1,870	1,555
	9,019	10,172	12,187

The emoluments of the remaining highest paid employees were within the following bands:

	2016	**2017**	**2018**
Emolument bands			
HK$1,500,001 - HK$2,000,000	—	1	1
HK$2,500,001 - HK$3,000,000	1	—	—
HK$3,000,001 - HK$3,500,000	1	1	—
HK$4,000,001 - HK$4,500,000	1	—	—
HK$5,000,001 - HK$5,500,000	—	—	1
HK$6,500,001 - HK$7,000,000	—	1	—
HK$7,000,001 - HK$7,500,000	—	—	1
	3	3	3

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

Certain executive directors of the Target Company are entitled to cash bonus payments which are determined based on the Target Group's and directors' personal performance.

11. DIVIDENDS

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
Dividends recognised as distribution during the year:			
Dividend paid in respect of 2016, 2017 and 2018 of US$504.08, US$ nil and US$35.67 respectively per share	4,234	—	317

12. EARNINGS PER SHARE

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

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Earnings			
Earnings for the purpose of basic earnings per share, being profit for the year attributable to shareholders of the Target Company	727	102	275

	2016	2017	2018
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	1,280,312	1,280,312	1,280,312
Basic earnings per share	RMB568	RMB80	RMB215

Note: No diluted earnings per share was presented for the years ended 31 December 2016, 2017 and 2018 as the conversion of the convertible perpetual securities would be anti-dilutive and there were no other potential ordinary shares in issue.

13. INVESTMENT PROPERTIES

	Completed investment properties	Investment properties under construction or development	Total
	RMB'million	*RMB'million*	*RMB'million*
At 1 January 2016	21,119	—	21,119
Additions	59	—	59
Increase in fair value of the investment properties recognised in profit or loss	322	—	322
At 31 December 2016	21,500	—	21,500
Transfer to investment properties under construction	(1,633)	1,633	—
Additions	21	134	155
Increase in fair value of the investment properties recognised in profit or loss	66	5	71
Transfer from property, plant and equipment (note 14)	597*	—	597
At 31 December 2017	20,551	1,772	22,323
Transfer to completed investment properties	2,266	(2,266)	—
Additions	39	167	206
Increase in fair value of the investment properties recognised in profit or loss	166	327	493
At 31 December 2018	23,022	—	23,022

* During the year ended 31 December 2017, a self-use property with carrying amount of RMB597 million was transferred to completed investment properties upon the change of use of the property evidenced by commencement of a leasing agreement for the property to generate rental income.

All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

The fair values of the Target Group's investment properties at 31 December 2016, 2017 and 2018 and the fair value of properties at the dates of transfer from property, plant and equipment to investment properties have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Target Group.

For completed investment properties, the valuations have been arrived at using direct comparison method and capitalisation of net income method, where appropriate. In the valuation using capitalisation of net income method, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under construction or development that are measured at fair value, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

In estimating the fair value of the properties, the management has taken into consideration the highest and best use of the properties.

The major inputs used in the fair value measurement of the Target Group's investment properties as at 31 December 2016, 2017 and 2018 are set out below:

Investment properties held by the Target Group in the consolidated statements of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Completed investment properties					
Completed investment properties located in Shanghai with an aggregate carrying amount of RMB19,732 million, RMB18,684 million and RMB21,144 million respectively as at 31 December 2016, 2017 and 2018	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 3.5% to 6.0% as at 31 December 2016, 2017 and 2018.	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB3.0 to RMB17.3, RMB2.9 to RMB18.1 and RMB3.1 to RMB16.5 as at 31 December 2016, 2017 and 2018 from per square metre ("sqm") per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Wuhan with an aggregate carrying amount of RMB1,768 million, RMB1,867 million and RMB1,878 million respectively as at 31 December 2016, 2017 and 2018	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.0%, 6.25% and 6.25% as at 31 December 2016, 2017 and 2018.	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factrs, such as frontage and size, between the comparables and the property, at an average of RMB6.0, RMB 6.6 and RMB6.7 per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.

Investment properties held by the Target Group in the consolidated statements of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Investment properties under construction or development that are measured at fair value					
Investment properties under construction or development located in Shanghai with an aggregate carrying amount of RMB1,772 million as at 31 December 2017	Level 3	Market-based Approach The key inputs are: (1) Gross development value; (2) Level adjustment.	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB2,028 million as at 31 December 2017	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
			Level adjustment on individual floor of retail portion of the property from 60% to 95% as at 31 December 2017 on specific levels.	The higher the level adjustment, the lower the fair value.	A significant increase in level adjustment used would result in a significant decrease in fair value, and vice versa.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures, equipment and motor vehicles	Total
	RMB'million	*RMB'million*	*RMB'million*
COST			
At 1 January 2016	768	43	811
Additions	15	15	30
Disposal	—	(18)	(18)
At 31 December 2016	783	40	823
Additions	—	9	9
Transfer to completed investment properties (note 13)	(619)	—	(619)
At 31 December 2017	164	49	213
Additions	—	6	6
Disposal	—	(3)	(3)
At 31 December 2018	164	52	216
ACCUMULATED DEPRECIATION			
At 1 January 2016	25	26	51
Charge for the year	20	12	32
Elimination on disposal	—	(18)	(18)
At 31 December 2016	45	20	65
Charge for the year	10	9	19
Transfer to completed investment properties (note 13)	(22)	—	(22)
At 31 December 2017	33	29	62
Charge for the year	5	8	13
Elimination and disposal	—	(3)	(3)
At 31 December 2018	38	34	72
CARRYING VALUES			
At 31 December 2016	738	20	758
At 31 December 2017	131	20	151
At 31 December 2018	126	18	144

The carrying amounts of owner-occupied leasehold land and buildings of RMB130 million, RMB125 million and RMB120 million as at 31 December 2016, 2017 and 2018, respectively, included both the leasehold land and building elements in property, plant and equipment, as in the opinion of the directors of the Target Company, allocations of the carrying amounts between the leasehold land and buildings elements could not be made reliably. The land portions of the remaining owner-occupied properties were included in prepaid lease payments.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	Over the shorter of the term of the lease, or 50 years
Furniture, fixtures, equipment and motor vehicles	20% to $33^1/_3$%

15. PREPAID LEASE PAYMENTS

The cost of prepaid lease payments represents the amount paid to the government of the PRC in respect of the land use rights held under medium term leases.

16. INTERESTS IN A JOINT VENTURE/LOANS TO A JOINT VENTURE/AMOUNTS DUE FROM A JOINT VENTURE

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Investment in joint ventures			
- Cost of investment, unlisted	25	25	25
- Share of post-acquisition results	—	—	—
	25	25	25
Loans to a joint venture			
- Unsecured, interest bearing at 100% of People's Bank of China ("PBOC") Prescribed Interest Rate and repayable after one year	740	—	—
	765	25	25
Loans to a joint venture			
- Unsecured, interest bearing at 100% of PBOC Prescribed Interest Rate and repayable within one year	—	640	—
Amounts due from a joint venture			
- Unsecured, interest-free and repayable on demand	16	14	—
	16	654	—

Particulars of the Target Group's joint venture at 31 December 2016, 2017 and 2018 are as follows:

Name of joint venture	Form of legal entity	Proportion of registered capital held by the Target Group	Place of registration and operations
上海永麟投資管理有限公司* Shanghai Yong Lin Investment Management Limited ("Shanghai Yong Lin")#	Sino-Foreign Joint Venture	19.8%*	PRC

* Pursuant to the memorandum and articles of association of Shanghai Yong Lin, the Target Group, through a subsidiary which the Target Group held 99% interest, and the other equity owner (the "JV Partner", an independent third party which owns 80.2% equity interest in Shanghai Yong Lin) are considered to have joint control over Shanghai Yong Lin as major decisions that relate to the relevant activities of Shanghai Yong Lin require unanimous consent from the Target Group and the JV Partner.

Shanghai Yong Lin is principally engaged in the property management and other activities in respect of relocation activities in Shanghai. Its principal activities are considered as strategic to the Target Group's activities as the relocation activities are carried out in the vicinity of one of the Target Group's property projects.

\# For identification only

The summarised financial information of Shanghai Yong Lin, which is prepared in accordance with IFRSs, is set out below:

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Current assets	41	32	150
Non-current assets	2,521	2,214	8
Current liabilities	16	2,121	33
Non-current liabilities	2,421	—	—
Net assets	125	125	125

Reconciliation of the above summarised financial information to the carrying amount of the interests in Shanghai Yong Lin recognised in the consolidated financial statements:

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Net assets of Shanghai Yong Lin	125	125	125
Proportion of the Target Group's ownership interest in Shanghai Yong Lin	19.8%	19.8%	19.8%
Carrying amount of the Target Group's interest in Shanghai Yong Lin	25	25	25

17. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Non-current accounts receivable comprise:			
Rental receivables in respect of the rent-free periods	183	172	142
Current accounts receivable comprise:			
Trade receivables	16	6	14
Rental receivables in respect of the rent-free periods	31	54	78
Receivable arising from disposal of a subsidiary	98	—	—
Other deposits, prepayments and receivables	81	67	84
	226	127	176

Trade receivables represent rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants. The aggregate carrying amount of RMB8 million, RMB4 million and RMB14 million as at 31 December 2016, 2017 and 2018 are past due at the end of the reporting period based on the date of issuance of monthly debit notes to the tenants, for which the Target Group has not provided for impairment loss. Out of which 97%, 89% and 98% as at 31 December 2016, 2017 and 2018 respectively are past due within 90 days, and 3%, 11% and 2% as at 31 December 2016, 2017 and 2018 respectively are past due over 90 days.

The Target Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 since 1 January 2018, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Based on evaluation on expected loss rate and gross carrying amount, the directors of the Target Company is of the opinion that the ECL in respect of these balances is considered immaterial as the Target Group has collected rental deposits from the tenants to secure any potential losses from uncollectible debts. The loss allowance both as at 1 January 2018 and 31 December 2018 are RMBnil.

18. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

The Target Group

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
Bank and cash -unrestricted	559	427	280
Bank balances -restricted	350	407	709
	909	834	989

Restricted bank balances as at 31 December 2016, 2017 and 2018 are monies placed by the Target Group with banks which can only be applied to designated projects of the Target Group.

Bank balances carry interest at market rates which range from 0.30% to 1.755%, 0.30% to 1.265% and 0.30% to 1.495% per annum as at 31 December 2016, 2017 and 2018 respectively. Pledged bank deposits carry interest at fixed rates which range from 0.35% to 1.15%, 0.3% to 2.35% and 0.30% to 1.50% per annum as at 31 December 2016, 2017 and 2018 respectively. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Target Group. Deposits amounting to RMB870 million, RMB945 million and RMB347 million as at 31 December 2016, 2017 and 2018 respectively, have been pledged to secure long-term bank loans and are therefore classified as non-current assets. The remaining deposits have been pledged to secure short-term bank loans and are classified as current assets.

The Target Company

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Bank and cash -unrestricted	16	38	44
Bank balances -restricted	—	—	—
	16	38	44

Bank balances carry interest at market rates of approximately 0.3% per annum as at 31 December 2016, 2017 and 2018.

19. AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES

Amounts due from fellow subsidiaries as at 31 December 2016, 2017 and 2018 are denominated in RMB, unsecured and interest-free. Amounts due to fellow subsidiaries as at 31 December 2016, 2017 and 2018 are unsecured and interest-free.

The amounts are either repayable on demand or within one year from the end of the reporting periods.

20. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

The Target Group

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Construction cost payables	230	139	149
Retention payables (note)	2	1	1
Deed tax, value-added tax and other tax payables	71	66	55
Deposits received and receipt in advance in respect of rental of investment properties	370	379	441
Other payables and accrued charges	92	133	101
	765	718	747

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

Included in the Target Group's accounts payable, deposits received and accrued charges are construction cost payables balances of RMB230 million, RMB139 million and RMB149 million as at 31 December 2016, 2017 and 2018, of which 16%, 27% and 73% are aged less than 30 days as at 31 December 2016, 2017 and 2018, 84%, 73% and nil are aged between 61 days to 90 days as at 31 December 2016, 2017 and 2018, 27% is aged more than 90 days based on invoice date as at 31 December 2018.

The Target Company

Included in the Target Company's account payable, deposits received and accrued charges are professional fee payable balances of RMB 1 million as at 31 December 2016, 2017 and 2018.

21. AMOUNTS DUE TO A NON-CONTROLLING SHAREHOLDER

Amounts due to a non-controlling shareholder are unsecured, interest free and repayable on demand.

22. AMOUNTS DUE TO AN INTERMEDIATE HOLDING COMPANY

The Target Group and Target Company

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
Non-current portion	767	—	—
Current portion	—	674	273
	767	674	273

For the years ended December 31, 2016 and 2017, according to an investment agreement previously entered into between SOL, Brookfield Property L.P., Brookfield BPY Holdings Inc, BPY Bermuda Holdings Ltd, BPY Bermuda Holdings II Ltd and BSREP CXTD Holdings L.P. (collectively referred to as "Brookfield") and the Target Company, the Target Company shall only require to repay to SOL such amounts which the Target Company receives from a joint venture (as described in note 16) as repayment and interests received, net of any taxes and expenses paid or payable by the Target Company. The Target Company has repaid to SOL such amounts in 2018.

For the year ended December 31, 2018, SOL agreed to defer receipt of payment of its portion of the special dividend declared by the Target Company. The amounts due to an intermediate holding company shall become payable within 12 months from the end of 2018.

23. BANK BORROWINGS

The Target Group

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Bank borrowings repayable within a period of:			
- Not more than 1 year	1,128	115	3,094
- More than 1 year, but not exceeding 2 years	145	2,962	925
- More than 2 years, but not exceeding 5 years	3,480	1,436	550
- More than 5 years	2,260	1,949	1,958
	7,013	6,462	6,527
Less: Amount due within one year shown under current liabilities	(1,128)	(115)	(3,094)
Amount due after one year	5,885	6,347	3,433

The carrying amounts of the Target Group's bank borrowings that carry interests at variable rates, are analysed as follows:

Denominated in	Interest rate	2016	2017	2018
		RMB'million	*RMB'million*	*RMB'million*
RMB	80% to 100% of PBOC Prescribed Interest Rate as at 31 December 2016, 2017 and 2018	6,013	4,896	4,777
Hong Kong dollars ("HK$")	Hong Kong Interbank Offered Rates ("HIBOR") plus 3.85%, HIBOR plus 3.80% and HIBOR plus 3.80% as at 31 December 2016, 2017 and 2018	1,000	899	942
US$	Nil, London Interbank Offered Rates ("LIBOR") plus 3.80%, LIBOR plus 3.80% as at 31 December 2016, 2017 and 2018	—	667	705
US$	Nil as at 31 December 2016 and 2017, fixed rate at 5.25% as at 31 December 2018	—	—	103
		7,013	6,462	6,527

As at 31 December 2016, 2017 and 2018, the weighted average effective interest rates on the bank borrowings are 4.8%, 4.6% and 4.9%, and are further analysed as follows:

	2016	2017	2018
Denominated in RMB	4.5%	4.5%	4.5%
Denominated in HK$	4.9%	4.9%	6.2%
Denominated in US$	—	4.9%	6.2%

All bank borrowings except for the Target Company's bank borrowing at the end of the reporting period are secured by the pledge of assets as set out in note 31.

The Target Company

Bank loan as at 31 December 2018 was repayable within one year, carried interest at 5.25% without any mortgage and guarantee.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Call option to buy back an investment property	460	342	243
Currency forward contract	—	(24)	—*
For the purpose of financial statement presentation:			
Non-current assets	460	342	243
Current liabilities	—	(24)	—*

* The balance was less than RMB1 million.

Call option to buy back an investment property

In previous years, the Target Group disposed of its entire equity interest in a subsidiary (the "Disposed Subsidiary"), and the related intercompany loans, that indirectly, owned 99% interest in investment property located in Shanghai, the PRC, to an independent third party for a cash consideration of RMB3,364 million.

In accordance with the relevant sale and purchase agreement entered into in previous years, the Target Group was granted a call option to repurchase all the equity interest of the disposed subsidiary and the related shareholder's loans within two months before the fifth anniversary or the seventh anniversary of the completion of the disposal (i.e. 18 December 2013), at a price equals to the original consideration plus a premium per annum.

The Target Group has engaged an independent qualified valuer to estimate the fair value of the option as at 31 December 2016, 2017 and 2018. As at 31 December 2016, 2017 and 2018, the fair value of the call option was estimated to be RMB460 million, RMB342 million and RMB243 million respectively. The fair value of the option as at 31 December 2016, 2017 and 2018 are determined using Monte-Carlo simulation with the following key assumptions:

	2016	**2017**	**2018**
99% interest of property valuation	RMB5,891 million	RMB5,891 million	RMB6,331 million
Time to maturity	3.97 years	2.97 years	1.97 years
3.97-year, 2.97 year and 1.97-year risk-free rate	2.98%	3.79%	2.80%
1.96-year, 0.97-year forward 2-year risk-free rate	3.16%	3.78%	N/A
Volatility	5.63%	5.34%	4.59%

The property valuation at 31 December 2016, 2017 and 2018 have been arrived at on the basis of valuation carried out by Knight Frank Petty Limited with reference to the fair value of similar properties within the same locality as at that date. The above risk free rates were determined with reference to yields of RMB China government bond. The volatility was determined with reference to the average rent of Premium Grade A office in the same region as the location of the subject investment property.

The call option measured at fair value as at 31 December 2016, 2017 and 2018 is grouped under Level 3. Level 3 fair value measurements are those derived from inputs that are unobservable for the asset or liability.

An increase in the property valuation would result in an increase in the fair value of the call option, and vice versa. If the property valuation is 3% higher and lower while all other variables are held constant, the carrying amount of the call option would increase to approximately RMB612 million, RMB498 million and RMB382 million and decrease to approximately RMB326 million, RMB223 million and RMB136 million for the years ended 31 December 2016, 2017 and 2018 respectively.

On 29 December 2018, a joint venture of SOL entered into an agreement with the independent third party to purchase the entire equity interest of the Disposed Subsidiary as well as the related shareholder's loans. Meanwhile, a wholly-owned subsidiary of the Target Company entered into an agreement with the joint venture in relation to the waiver of all of its right under the call option. The effect of waiver is subject to completion of such purchase.

Currency forward contracts designated as hedging instruments

During the year ended 31 December 2017, the Group entered into several currency forward contracts to reduce currency exchange fluctuation of certain Group's bank borrowing and shareholder loan. During the year ended 31 December 2018, the Target Group renewed a currency forward contract to reduce currency exchange fluctuation of certain Target Group's bank borrowing. The currency forward contracts have been negotiated to match the settlement period of those bank borrowing and shareholder loan. They are qualified for hedge accounting as cash flow hedge. During the years ended 31 December 2016, 2017 and 2018, an amount of nil, gain of RMB13 million, and loss of RMB6 million respectively has been released from hedge reserve to the profit or loss. During the years ended 31 December 2016, 2017 and 2018, an amount of nil, a loss of RMB24 million and an amount of nil was recognised immediately to profit or loss due to imperfect hedge.

The effects of applying hedge accounting on the Target Group's financial position and performance are as follows:

	2016	2017	2018
Outstanding currency forward contracts:			
Carrying amount (RMB'million)	—	24	— *
Notional amount (original foreign currency)	—	USD104 million	USD104 million
Notional amount (RMB'million)	—	680	714
Maturity date	N/A	1 August 2018	1 August 2019
Hedge ratio (Note)	N/A	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB'million)	—	24	— *
Change in value of hedged item used to determine hedge effectiveness during the year (RMB'million)	—	(19)	2
Strike rate (USD: RMB range)	N/A	6.8325	6.8400

* The balance was less than RMB1 million.

Note: The currency forward contracts are denominated in the same currency as the highly probable future debt payments, therefore the hedge ratio is 1:1.

25. SHARE CAPITAL

	Number of shares	Share capital *US$*
Authorised share capital of the Target Company		
At 1 January 2016, 31 December 2016, 31 December 2017 and 2018, ordinary shares of US$0.001 each	50,000,000	50,000
Issued and fully paid share capital of the Target Company		
At 1 January 2016, 31 December 2016, 31 December 2017 and 2018, ordinary shares of US$0.001 each	1,280,312	1,280

	RMB million
Shown in the consolidated financial statements as	—

26. OTHER RESERVES

Other reserves comprise:

(a) A credit balance of RMB332 million represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) A debit balance of RMB52 million recognised in the year ended 31 December 2013, which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in the wholly owned subsidiaries of the Target Group in 2013.

(c) A debit balance of RMB24 million represents the transaction costs in relation to the issuance of SOL Warrant (as defined in note 27) by SOL which are incurred by the Target Group and regarded as deemed distribution to SOL.

(d) A debit amount of RMB57 million which represents the difference between the fair value of the consideration paid of RMB10 million and the carrying amount of the net liabilities attributable to the additional interest in the a wholly owned subsidiary of the Target Group.

(e) A credit amount of RMB201 million represents the aggregate of (i) the waive of loan of RMB91 million from a fellow subsidiary, which is wholly owned by SOL; and (ii) share capital of WHSQ amounting to RMB110 million, resulting from the group reorganisation in 2014.

(f) A credit amount of RMB9 million represents the release of other reserve upon disposal of a wholly owned subsidiary in 2015.

(g) A debit amount of RMB891 million represents the consideration paid for the group reorganisation in 2014.

27. CONVERTIBLE PERPETUAL SECURITIES

The Target Group and Target Company

In October 2013, the Target Company and SOL entered into a set of agreements with Brookfield, pursuant to which Brookfield conditionally agreed to subscribe for the following for US$495 million (net of closing fee to Brookfield of US$5 million):

- convertible perpetual securities issued by the Target Company with the aggregate principal amount of US$500 million; and

- 415 million warrants issued by SOL (the "SOL Warrants").

The transaction was completed on 17 February 2014 ("closing date"). The principal terms of the convertible perpetual securities and warrants were disclosed in a circular issued by SOL dated 30 November 2013.

The convertible perpetual securities were recognised as equity instruments of the Target Company in the Target Group's consolidated financial statements as the Target Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the convertible perpetual securities.

On the initial recognition of the convertible perpetual securities, the aggregate consideration of US$495 million (equivalent to RMB3,025 million translated using the spot rate as at 17 February 2014) were allocated to the convertible perpetual securities and SOL Warrants taking into account the fair value of the SOL Warrants of US$21 million (equivalent to RMB129 million translated using the spot rate as at 17 February 2014) at initial recognition with the residual of US$474 million (equivalent to RMB2,896 million translated using the spot rate as at 17 February 2014) being allocated to the convertible perpetual securities. Transaction costs of RMB94 million have been allocated to the issuance of the convertible perpetual securities and are recognised in equity when they are incurred.

Key terms of the convertible perpetual securities

The convertible perpetual securities were issued in registered form in denominations of principal amount of US$100,000 each and integral multiples thereof.

The convertible perpetual securities do not have any maturity date.

The Target Company has the option to pay distributions from and including the issue date (i.e. 17 February 2014), semi-annually in arrears on each distribution payment date in cash at the following distribution rate:

- in respect of the period from, and including the issue date to, but excluding 17 February 2019, 8.3 per cent per annum; and

- in respect of the period from, and including 17 February 2019, 20 per cent per annum.

If the Target Company elects not to pay a distribution or does not pay a distribution on two separate distribution payment dates, the Target Company shall not, for as long as any convertible perpetual securities are outstanding, declare or pay in cash or in kind any dividend distribution or make any other payment on, and shall procure that, no dividend, distribution or other payment is made on, any of its junior securities or parity obligations, or redeem, reduce, cancel or buy-back or acquire for any consideration any of its junior securities, or parity obligations, unless and until it is permitted to do so by written consent of the holders of the majority of the convertible perpetual securities then outstanding.

The convertible perpetual securities may be converted into ordinary shares of the Target Company at any time at the option of the holders which, if converted in full, will represent 21.89% of the share capital of the Target Company. The convertible perpetual securities will convert automatically into ordinary shares of the Target Company upon a qualified IPO or a listing approved by the holders ("China Xintiandi Listing") at the same pre-determined conversion price. If the Target Company completes a listing of the Target Company that is not a China Xintiandi Listing, the convertible perpetual securities will remain outstanding after such listing of the Target Company.

The convertible perpetual securities may be redeemed at the Target Company's option beginning on the fifth anniversary of the closing date by (i) paying to the holders the applicable redemption price of such outstanding convertible perpetual securities to be redeemed; or (ii) if no China Xintiandi Listing has occurred by the time of such redemption, procuring the issue by SOL a certain number of ordinary shares of SOL which has a value equal to the applicable redemption price for the convertible perpetual securities to be redeemed.

The Target Company has the right to redeem the convertible perpetual securities at their applicable redemption price if it becomes liable to pay additional tax amounts in respect of such convertible perpetual securities, subject to certain circumstances.

For so long as a holder holds convertible perpetual securities representing 10% of the ordinary shares of the Target Company on a fully diluted basis, upon the occurrence of a change of control event (which happens when either: (i) Mr. Vincent Lo, his family and his and their affiliated trusts and companies (the "Permitted Party") cease to control, either directly or indirectly through one or more subsidiaries, more than 30 per cent of the total voting power of SOL; (ii) any person or persons other than the Permitted Party acquires more voting rights of the issued share capital of SOL than the Permitted Party; or (iii) any person or persons other than the Permitted Party acquires more voting rights of the issued share capital of the Target Company than the Permitted Party ("Change of Control Event"), Brookfield may request the Target Company to redeem all the convertible perpetual securities it holds. Upon such redemption request, the Target Company may elect to either: (i) redeem the convertible perpetual securities at the applicable redemption price (see the definition above); or (ii) leave the convertible perpetual securities outstanding, in which case the applicable distribution rate (please see above) will increase by 4%.

In addition, as part of the agreements, Brookfield has been given a right to exchange the convertible perpetual securities for a certain number of ordinary shares of SOL at any time during a certain period of time starting from and including the third anniversary of the issue date, or when there is a Change of Control Event at an initial exchange price of HK$3.25 subject to certain anti-dilutive adjustments. SOL then has a right to exchange the convertible perpetual securities by:

a) paying to Brookfield a cash redemption premium of an amount (in US dollars) equal to 0.7% per annum on the aggregate principal amount of the convertible perpetual securities being exchanged; and

b) at the SOL's election, either (i) paying to Brookfield the applicable redemption amount of such convertible perpetual securities (in US dollars) in cash; or (ii) exchanging the convertible perpetual securities at the above-mentioned predetermined exchange price.

During the year ended 31 December 2015, convertible perpetual securities with the principal amount of US$499,900,000 have been converted into newly issued ordinary shares of the Target Company, representing 21.89% of the enlarged share capital of the Target Company.

Any distributions made by the Target Company to Brookfield is recognised in equity. Distributions of RMB15 million, RMB58,000 and RMB54,505 were paid during the years ended 31 December 2016, 2017 and 2018 respectively.

28. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Track Record Period:

	Accelerated tax depreciation	Revaluation of investment properties	Tax losses	Withholding tax on income derived in the PRC	Others	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
At 1 January 2016	391	2,659	(72)	28	26	3,032
Charge (credit) to profit or loss	67	78	(54)	6	25	122
At 31 December 2016	458	2,737	(126)	34	51	3,154
Charge (credit) to profit or loss	81	17	(48)	7	(11)	46
At 31 December 2017	539	2,754	(174)	41	40	3,200
Charge (credit) to profit or loss	71	114	(23)	(5)	1	158
At 31 December 2018	610	2,868	(197)	36	41	3,358

For the purpose of presentation of the consolidated statements of financial position, deferred tax liabilities (assets) have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Deferred tax assets	(126)	(174)	(197)
Deferred tax liabilities	3,280	3,374	3,555
	3,154	3,200	3,358

At 31 December 2016, 2017 and 2018, the Target Group has unused tax losses of RMB617 million, RMB803 million and RMB850 million respectively available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB510 million, RMB694 million and RMB788 million, respectively, as at 31 December 2016, 2017 and 2018. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB107 million, RMB109 million and RMB62 million, respectively, due to the unpredictability of future profit streams for the years ended 31 December 2016, 2017 and 2018. The unrecognised tax losses will expire in the following years ending 31 December:

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
2017	8	—	—
2018	54	54	—
2019	27	27	27
2020	15	14	13
2021	3	3	11
2022	—	11	11
2023	—	—	—
	107	109	62

29. RETIREMENT BENEFITS SCHEMES

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specific percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Target Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB12 million, RMB9 million and RMB14 million for the years ended 31 December 2016, 2017 and 2018 respectively.

30. DISPOSAL OF A SUBSIDIARY

Pursuant to a sale and purchase agreement entered into with independent third parties on 10 December 2015, the Target Group, on 2 February 2016, completed a disposal of its entire equity interest in a subsidiary, namely Infoshore International Limited ("Infoshore") and the related shareholders' loans for an aggregate cash consideration of approximately RMB5,759 million. Infoshore indirectly held investment properties located in Shanghai, the PRC.

The net assets of Infoshore at the date of the disposal were as follows:

	RMB' million
Net assets disposed of:	
Investment properties	5,700
Accounts receivable, deposits and prepayments	64
Deferred tax assets	45
Bank balances and cash	215
Accounts payable, deposits received and accrued charges	(208)
Deferred tax liabilities	(527)
	5,289
Gain on disposal of Infoshore:	
Cash consideration received	5,759
Less: Transaction costs	(45)
Less: Net assets disposed of	(5,289)
Add: Non-controlling interests	41
	466
Increase in fair value of the investment properties recognised during the year ended 31 December 2016	10
Gain on disposal (presented as "gain on disposal of investment properties through disposal of subsidiaries")	476
Net cash inflow arising on the disposal for the year ended 31 December 2016	
Cash consideration received, net of transaction costs	3,848
Less: Bank balances and cash disposed of	(215)
	3,633

The net asset value of the disposal of Infoshore was finalised during the year ended 31 December 2017. The consideration was adjusted downward by RMB19 million and recognised as loss. During the year ended 31 December 2017, the Target Group received the remaining consideration receivable of RMB79 million from the buyer.

31. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to obtain certain banking facilities granted to the Target Group at the end of the reporting periods:

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
Investment properties	21,445	18,204	18,299
Property, plant and equipment	11	7	13
Prepaid lease payments	6	6	6
Account receivables	48	42	39
Bank deposits	1,281	945	839
	22,791	19,204	19,196

In addition, the equity interests of the subsidiaries which own the pledged assets, with carrying amount of net assets of RMB6,347 million, RMB6,393 million and RMB6,118 million as at 31 December 2016, 2017 and 2018, are pledged to banks as securities to obtain banking facilities granted to the Target Group.

32. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties earned of RMB860 million, RMB879 million and RMB944 million, net of outgoings of RMB145 million, RMB124 million and RMB102 million, is RMB715 million, RMB755 million and RMB842 as at 31 December 2016, 2017 and 2018 respectively. The investment properties held have committed tenants for the next one to sixteen years at fixed and contingent rentals. Included in the property rental income, certain leases contain contingent rental income recognised during the years ended 31 December 2016, 2017 and 2018 amounting to RMB33 million, RMB39 million and RMB36 million. These contingent rentals are generally based on specified percentages of turnover of the tenants.

At the end of the reporting periods, the Target Group has contracted with tenants for the following future minimum lease payments (i.e. fixed rentals only) which fall due as follows:

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
Within one year	805	859	876
In the second to fifth years inclusive	1,550	1,449	1,491
Over five years	210	114	26
	2,565	2,422	2,393

33. CAPITAL COMMITMENTS

At the end of each reporting periods, the Target Group has the following capital commitments:

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
Contracted but not provided for:			
Development costs for investment properties under construction or development	234	78	1

34. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 16, 19, 21 and 22, the Target Group has the following transactions with related companies during the years:

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
Intermediate holding company			
Interest expenses	—	58	7
Fellow subsidiaries			
Project construction costs	18	13	7
Rental income	21	21	21
Asset management fee income	47	69	66
A joint venture			
Interest income	34	31	7
Shareholders' interest			
Interest expenses	—	18	—
A joint venture of a fellow subsidiary			
Asset management fee income	—	—	11
Key Management Personnel			
Short-term benefits	14	13	17

35. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure the entity in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged from prior year.

The capital structure of the Target Group consists of net debt, which includes mainly the bank borrowings, amounts due to an intermediate holding company, net of bank balances and cash, pledged bank deposits and restricted bank balances and equity, comprising issued share capital, reserves, convertible perpetual securities and non-controlling interests.

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

The Target Group

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Financial assets			
Loans and receivables (including bank balances and cash)	3,172	2,541	1,937
Derivative financial instruments	460	342	243
Financial liabilities			
Derivative financial instruments	—	24	—
Amortised cost	8,115	7,418	7,060

The Target Company

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Financial assets			
Loans and receivables (including bank balances and cash)	6,889	6,818	6,352
Financial liabilities			
Amortised cost	3,594	3,544	3,274

b. Financial risk management objectives and policies

The Target Group's major financial instruments include loans to a joint venture, accounts receivable, amounts due from a joint venture and fellow subsidiaries, pledged bank deposits, restricted bank balances, bank balances and cash, accounts payable, amounts due to an intermediate holding company, fellow subsidiaries and a non-controlling interests, bank borrowings and derivative financial instruments. The Target Company's major financial instruments include amounts due from subsidiaries, bank balances and cash, amounts due to an intermediate holding company, amounts due to subsidiaries and bank borrowings

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Target Group and Target Company's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The directors of the Target Company review and agree policies for managing each of these risks and they are summarised below.

Currency risk

All of the Target Group's turnover is denominated in RMB. However, the Target Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Target Group is exposed to fluctuations in foreign currency rates. The foreign currency exposure are managed within approved policy parameters utilising currency forward contracts.

The Target Group applies hedge accounting to present its consolidated financial statements. The Target Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Target Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. The main sources of hedge ineffectiveness are considered to be the effects of mismatch in timing. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

The carrying amounts of the Target Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

The Target Group

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
HK$			
Assets	218	86	38
Liabilities	1,005	899	942
US$			
Assets	133	126	89
Liabilities	—	685	103

The Target Company

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
HK$			
Assets	8	6	3
Liabilities	—	—	—
US$			
Assets	429	32	41
Liabilities	—	—	103

Sensitivity analysis

The Target Group is mainly exposed to the currency of HK$ and US$.

The following table details the Target Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting periods are outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthens 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Notes	**2016**	**2017**	**2018**
		RMB'million	*RMB'million*	*RMB'million*
HK$				
Profit or loss	(i)	37	39	43
US$				
Profit or loss	(ii)	(6)	27	1

Notes:

(i) This is mainly attributable to the exposure outstanding on pledged bank deposits, bank balances and bank borrowings denominated in HK$ not subject to cash flow hedges at the end of the each reporting periods.

(ii) This is mainly attributable to the exposure outstanding on pledged bank deposits, bank balances and bank borrowings denominated in US$ not subject to cash flow hedges at the end of the each reporting periods.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

No sensitivity analysis is presented for the Target Company as the directors of the Target Company consider that the carrying amounts of the Target Company's foreign currency denominated monetary assets and monetary liabilities are insignificant.

Interest rate risk

The Target Group's income and operating cash flows are substantially independent of changes in market interest rates. The Target Group's and the Target Company's exposure to changes in interest rates is mainly attributable to its loans to a joint venture, bank borrowings, amounts due to intermediate holding company and fellow subsidiaries at variable rates. The Target Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings.

The Target Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Target Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and PBOC Prescribed Interest Rate arising from the Target Group's HK$, US$ and RMB borrowings.

Sensitivity analysis

The Target Group

The following table details the Target Group's sensitivity to a 100 basis points increase and decrease in HIBOR and LIBOR, and a 100 basis points increase and decrease in PBOC prescribed interest rate. 100 basis points are the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The sensitivity analysis includes only variable-rate bank borrowings assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year, after taking into consideration the effects of the interest rate swaps designated as hedging instruments. A positive number below indicates an increase in profit where the interest rate decreases. If the interest rate increases, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2016	**2017**	**2018**
	RMB'million	*RMB'million*	*RMB'million*
HIBOR and LIBOR			
Profit or loss	10	16	16
PBOC prescribed interest rate			
Profit or loss	45	37	36

Credit risk

As at 31 December 2016 and 2017, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

Overview of the Target Group's exposure to credit risk before adoption of IFRS 9

The Target Group

The Target Group's credit risk is primarily attributable to its loan to a joint venture, amounts due from a joint venture and fellow subsidiaries. The amounts presented in the consolidated statements of financial position are net of allowances for bad and doubtful debts, estimated by the Target Group's management based on prior experience and their assessment of the current economic environment.

The Target Group has no significant concentration of credit risk in relation to its trade receivables due to the fact that the exposure has been spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the funds have been deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

Overview of the Target Group's exposure to credit risk after adoption of IFRS 9 as at 1 January 2018

The Target Group

For trade receivables, the Target Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Target Group determines the ECL on these items individually.

The credit risk of loans to/amounts due from a joint venture and amounts due from fellow subsidiaries is managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Target Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The credit risk of trade receivables are minimal as the Target Group has collected rental deposits from the tenants to secure any potential losses from uncollectible debts. The Target Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC.

For the purposes of impairment assessment, loans to/amounts due from a joint venture and amounts due from fellow subsidiaries are measured at an amount equal to 12-month ECL. In determining the 12-month ECL, the directors of the Target Company used past due information to assess whether credit risk has increased significantly since initial recognition, as appropriate, in estimating the probability of default occurring within the respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Target Company considered that the 12-month ECL allowance is insignificant at 1 January 2018 and 31 December 2018.

Liquidity risk

The Target Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings. The Target Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

In addition, SOL, the intermediate holding company of the Target Company, has agreed to provide adequate funds to enable the Target Company to meet in full its financial obligations as and when they fall due for in the foreseeable future. In the opinion of the directors of the Target Company, the Target Group will be able to procure sufficient funds to finance its working capital requirements.

The following table details the maturities of the Target Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments that settle on a net basis, undiscounted net cash outflows are presented.

Liquidity and interest risk table

The Target Group

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2016
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31.12.2016							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	—	324	—	—	—	324	324
Bank borrowings at variable rates	4.5	1,401	404	3,903	2,352	8,060	7,013
Amounts due to fellow subsidiaries	—	3	—	—	—	3	3
Amounts due to an intermediate holding company	—	—	—	767	—	767	767
Amounts due to a non-controlling shareholder	—	8	—	—	—	8	8
		1,736	404	4,670	2,352	9,162	8,115

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2017
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
31.12.2017							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	—	273	—	—	—	273	273
Bank borrowings at variable rates	4.6	409	3,170	1,822	2,158	7,559	6,462
Amounts due to fellow subsidiaries	—	1	—	—	—	1	1
Amounts due to an intermediate holding company	—	674	—	—	—	674	674
Amounts due to a non-controlling shareholder	—	8	—	—	—	8	8
		1,365	3,170	1,822	2,158	8,515	7,418

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2018
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
31.12.2018							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges		251	—	—	—	251	251
Bank borrowings at variable rates	4.9	3,213	1,091	872	2,032	7,208	6,424
Bank borrowings at fixed rate	5.3	104	—	—	—	104	103
Amounts due to fellow subsidiaries		1	—	—	—	1	1
Amounts due to an intermediate holding company		273	—	—	—	273	273
Amounts due to a non-controlling shareholder		8	—	—	—	8	8
		3,850	1,091	872	2,032	7,845	7,060

The Target Company

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2016
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31.12.2016							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges		1	—	—	—	1	1
Amounts due to subsidiaries		2,826	—	—	—	2,826	2,826
Amounts due to an intermediate holding company		767	—	—	—	767	767
		3,594	—	—	—	3,594	3,594

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2017
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31.12.2017							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges		1	—	—	—	1	1
Amounts due to subsidiaries		2,869	—	—	—	2,869	2,869
Amounts due to an intermediate holding company		674	—	—	—	674	674
		3,544	—	—	—	3,544	3,544

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2018
	%	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
31.12.2018							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges		1	—	—	—	1	1
Bank borrowings at fixed rate	5.3%	104	—	—	—	104	103
Amounts due to subsidiaries		2,897	—	—	—	2,897	2,897
Amounts due to an intermediate holding company		273	—	—	—	273	273
		3,275	—	—	—	3,275	3,274

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value measurements

The fair values of the Target Group's financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Target Group's currency forward contracts at the end of the reporting periods are grouped under Level 2 financial instruments based on the degree to which the fair value is observable. The fair value of the instrument is estimated based on the present value of future cash flows, estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Target Group's call option to buy back an investment property that is measured at fair value at the end of the reporting period is grouped under Level 3. The fair value of the instrument is estimated based on Monte-Carlo simulation using key inputs as disclosed in note 24.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividends payable	**Amounts due to an intermediate holding company**	**Bank borrowings**	**Total**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
		Note 22	*Note 23*	
At 1 January 2016	—	767	6,921	7,688
Financing cash flows	(941)	(3,307)	(1,423)	(5,671)
Foreign exchange translations	—	—	83	83
Interest expenses	—	—	388	388
Disposal of a subsidiary	—	—	1,044	1,044
Dividends distribution	927	3,307	—	4,234
Dividends to a non-controlling interest	14	—	—	14
At 31 December 2016	—	767	7,013	7,780

	Dividends payable	**Amounts due to shareholders**	**Amounts due to an intermediate holding company**	**Bank borrowings**	**Derivative financial instruments**	**Total**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
			Note 22	*Note 23*	*Note 24*	
At 1 January 2017	—	—	767	7,013	—	7,780
Financing cash flows	(15)	(2)	(151)	(801)	(28)	(997)
Fair value adjustments	—	—	—	—	24	24
Foreign exchange translations	—	(16)	—	(75)	28	(63)
Interest expenses	—	18	58	325	—	401
Dividends to a non-controlling interest	15	—	—	—	—	15
At 31 December 2017	—	—	674	6,462	24	7,160

	Dividends payable	Amounts due to an intermediate holding company	Bank borrowings	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
		Note 22	*Note 23*	
At 1 January 2018	—	674	6,462	7,136
Financing cash flows	(95)	(656)	(352)	(1,103)
Foreign exchange translations	—	—	86	86
Interest expenses	—	7	331	338
Dividends to non-controlling interests	26	—	—	26
Dividends distribution	69	248	—	317
At 31 December 2018	—	273	6,527	6,800

38. RESERVES MOVEMENT OF THE TARGET COMPANY

Details of the Target Company's reserves are set out below:

	Share capital	Share premium	Hedge reserve	Other reserves	Retained earnings	Convertible perpetual securities	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
At 1 January 2016	—	3,209	—	(432)	369	16	3,162
Profit for the year	—				4,382		4,382
Total comprehensive income for the year	—	—	—	—	4,382	—	4,382
Distribution to owners of convertible perpetual securities	—	—	—	—	—	(15)	(15)
Dividend	—	—	—	—	(4,234)	—	(4,234)
At 31 December 2016	—	3,209	—	(432)	517	1	3,295
At 1 January 2017	—	3,209	—	(432)	517	1	3,295
Loss for the year	—	—	—	—	(21)	—	(21)
Total comprehensive expense for the year	—	—	—	—	(21)	—	(21)
FV adjustment as CF hedge	—	—	(13)	—	—	—	(13)
Reclassified to PL	—	—	13	—	—	—	13
At 31 December 2017	—	3,209	—	(432)	496	1	3,274
At 1 January 2018	—	3,209	—	(432)	496	1	3,274
Profit for the year	—	—	—	—	121	—	121
Total comprehensive income for the year	—	—	—	—	121	—	121
Dividend	—	—	—	—	(317)	—	(317)
At 31 December 2018	—	3,209	—	(432)	300	1	3,078

39. INVESTMENT IN SUBSIDIARIES

The Target Company

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Unlisted shares, at cost	—*	—*	—*

* The balance was less than RMB1 million.

The amount represents initial costs of investment amounted to US$0.02 (equivalent to RMB0.13).

40. PARTICULARS OF SUBSIDIARIES

Particulars of the Target Company's subsidiaries as at 31 December 2016, 2017 and 2018 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held				Place of operation	Principal activities
			2016	2017	2018	at the date of this report		
Beaming Leader Limited (Note i)	BVI 5 October 2012	10,000 ordinary shares of US$1 each	100%	100%	100%	100%	Hong Kong	Investment holding
Best Scene Retail Asset Management (Hong Kong) Limited (Note ii)	Hong Kong 4 April 2011	HK$1	100%	100%	100%	100%	Hong Kong	Investment holding
Big Glory (H.K.) Limited (Note v)	Hong Kong 24 February 2014	HK$1	100%	100%	100%	100%	Hong Kong	Investment holding
Century Team Limited (Note ii)	Hong Kong 16 January 1998	HK$2	100%	100%	100%	100%	Hong Kong	Investment holding
China Xintiandi Company Limited (Note i)	BVI 21 March 2011	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
China Xintiandi Development Company Limited (Note i)	Cayman Islands 3 November 2011	1 ordinary share of US$0.01	100%	100%	100%	100%	Hong Kong	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held				Place of operation	Principal activities
			2016	2017	2018	at the date of this report		
China Xintiandi Management (Hong Kong) Limited (Note ii)	Hong Kong 12 October 2012	HK$1	100%	100%	100%	100%	Hong Kong	Investment holding
China Xintiandi Property Company Limited (Note i)	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	100%	100%	100%	100%	Hong Kong	Investment holding
Costworth Investments Limited (Note i)	BVI 12 January 2001	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
East Trend Limited (Note ii)	Hong Kong 14 February 2001	HK$2	100%	100%	100%	100%	Hong Kong	Investment holding
Firm Gain Investments Limited (Note i)	BVI 26 July 2011	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
Focus Top Limited (Note ii)	Hong Kong 24 April 1998	HK$2	100%	100%	100%	100%	Hong Kong	Investment holding
Interchina International Limited (Note i)	BVI 12 January 2001	100 ordinary shares of US$1 each	100%	100%	100%	100%	Hong Kong	Investment holding
King Concord Limited (Note ii)	Hong Kong 3 October 2006	HK$1	100%	100%	100%	100%	Hong Kong	Investment holding
Kinmax Limited (Note ii)	Hong Kong 24 April 1998	HK$2	100%	100%	100%	100%	Hong Kong	Investment holding
Marble Way Limited (Note i)	BVI 28 August 1996	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
Pacific Sunrise Holdings Limited (Note i)	BVI 16 January 2013	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
Princemax Limited (Note ii)	Hong Kong 15 April 1998	HK$2	100%	100%	100%	100%	Hong Kong	Investment holding
Rimmer Investments Limited (Note i)	BVI 22 July 1994	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held				Place of operation	Principal activities
			2016	2017	2018	at the date of this report		
Shanghai Bai-Xing Properties Co., Ltd. (Note iii)	PRC 2 February 1999	Registered and paid up capital RMB146,761,000	100%	100%	100%	100%	PRC	Property development and property investment
Shanghai Fu-Xiang Properties Co., Ltd. ("Shanghai Fu-Xiang") (Note iii)	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	99%	99%	100%	PRC	Property development and property investment
Shanghai Ji-Xing Properties Co., Ltd. (Note iii)	PRC 2 February 1999	Registered and paid up capital RMB69,452,000	100%	100%	100%	100%	PRC	Property development and property investment
Shanghai Jiu Hai Rimmer Properties Co., Ltd. ("Shanghai Jiu Hai")(Note iii)	PRC 1 November 1994	Registered and paid up capital US$30,000,000	80%	80%	80%	100%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd. (Note iii)	PRC 28 December 2010	Registered and paid up capital RMB3,900,000,000	100%	100%	100%	100%	PRC	Property development
Shanghai Tai Ping Qiao Properties Management Co., Ltd. (Note iii)	PRC 31 August 2001	Registered and paid up capital US$198,000	100%	100%	100%	100%	PRC	Property management
Shanghai Xin-Tian-Di Plaza Co., Ltd. (Note iii)	PRC 2 February 1999	Registered and paid up capital RMB98,261,000	100%	100%	100%	100%	PRC	Property development and property investment
Shanghai Xing-Qi Properties Co., Ltd. (Note iii)	PRC 2 February 1999	Registered and paid up capital RMB266,653,000	100%	100%	100%	100%	PRC	Property development and property investment
Shine First Limited (Note i)	BVI 25 October 2006	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
Sino Ascend Holdings Limited (Note i)	BVI 9 February 2015	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held				Place of operation	Principal activities
			2016	2017	2018	at the date of this report		
Sinomount Holdings Limited (Note i)	BVI 18 October 2013	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
Sino City (Hong Kong) Limited (Note ii)	Hong Kong 9 January 2014	HK$1	100%	100%	100%	100%	Hong Kong	Investment holding
Sino Heritage Holdings Limited (Note i)	BVI 28 October 2013	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
Strategic Glory Limited (Note i)	BVI 28 May 2014	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
Super Victory Global Limited (Note i)	BVI 30 May 2014	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
Taipingqiao Holding Company Limited (Note i)	BVI 25 October 2011	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
Timezone Management Limited (Note i)	BVI 28 February 2001	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
Toprace Corporate Limited (Note i)	BVI 28 February 2014	1 ordinary share of US$1	100%	100%	100%	100%	Hong Kong	Investment holding
Top Glory (H.K.) Limited (Note v)	Hong Kong 7 February 2014	HK$1	100%	100%	100%	100%	Hong Kong	Investment holding
Trendex Investment Limited (Note ii)	Hong Kong 6 January 1997	HK$91,920,000	100%	100%	100%	100%	PRC	Property investment

Note:

i. As at the date of this report, no statutory financial statements have been prepared for these subsidiaries of the Target Company that are established in the BVI and Cayman Islands as they are not required to do so in their respective regions.

ii. The statutory financial statements of these subsidiaries of the Target Company for the years ended 31 December 2016 and 2017 were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by us. As at the date of this report, no statutory financial statements for the year ended 31 December 2018 were issued.

iii. The statutory financial statements of these subsidiaries of the Target Company for the years ended 31 December 2016 and 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by Shanghai Fuxing Mingfang Certified Public Accountant Firm Co., Ltd. (上海復興明方會計師事務所有限公司), certified public accountants registered in the PRC. As at the date of this report, no statutory financial statements for the year ended 31 December 2018 were issued.

iv. The statutory financial statements of these subsidiaries of the Target Company for the years ended 31 December 2016 and 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by PKF Daxin Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. As at the date of this report, no statutory financial statements for the year ended 31 December 2018 were issued.

v. As at the date of this report, no statutory financial statements have been issued for these subsidiaries of the Target Company.

All of the subsidiaries adopted December 31 as financial year end.

None of the subsidiaries had issued any debt securities at the end of each reporting periods.

All subsidiaries established in the PRC are wholly foreign owned enterprises except Shanghai Fu-Xiang and Shanghai Jiu Hai which are equity joint ventures and 武漢企業天地環球智慧商業管理有限公司, which is a wholly-domestic owned enterprises.

The table below shows details of non-wholly owned subsidiaries of the Target Company that have material non-controlling interests:

	Proportion of equity interest held by non-controlling shareholders			Profit allocated to non-controlling shareholders			Accumulated non-controlling interests		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
				RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Name of subsidiaries									
Shanghai Jiu Hai	20%	20%	20%	30	19	80	691	695	751
Shanghai Fu-Xiang	1%	1%	1%	1	1	1	21	22	21
				31	20	81	712	717	772

Summarised financial information in respect of Shanghai Jiu Hai is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Current assets	576	288	259
Non-current assets	3,911	4,236	4,765
Current liabilities	82	87	188
Non-current liabilities	905	917	1,033
Equity attributable to shareholders of Shanghai Jiu Hai	3,500	3,520	3,803

	2016	2017	2018
	RMB'million	*RMB'million*	*RMB'million*
Revenue	178	122	138
Profit and total comprehensive income for the year	148	95	399
Dividend paid to non-controlling interests	14	15	23
Net cash from operating activities	121	67	7
Net cash used in investing activities	—	(50)	(67)
Net cash used in financing activities	(74)	(91)	(28)
Net cash inflow (outflow)	47	(74)	(88)

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company or any of its subsidiaries or the Target Group have been prepared in respect of any period subsequent to 31 December 2018.

CXTD was incorporated in the Cayman Islands on 27 October 2011 as an exempted company with limited liability. As of the date of this circular, CXTD is a non-wholly owned subsidiary of the Company and is principally engaged in owning, managing, designing, leasing, marketing and enhancing premium retail, office, hotel and entertainment properties in affluent urban areas in the PRC. Upon Completion, CXTD will become a wholly-owned subsidiary of the Company.

The following management discussion and analysis on CXTD should be read in conjunction with the accountants' report of CXTD for each of the three years ended 31 December 2016, 2017 and 2018.

For the year ended 31 December 2018

Financial review

For the year ended 31 December 2018, the turnover and profit attributable to the shareholders of CXTD were RMB1,275 million and RMB275 million respectively, representing increase of 13% and 170% compared with the previous year.

Turnover increased to RMB1,275 million. *Rental and related income* from investment properties for the year 2018 increased to RMB1,080 million, mainly due to higher rental income from continued leasing process. Besides, asset enhancement initiative program ("AEI") in Xintiandi Plaza (formerly known as Shui On Plaza retail podium) located at Shanghai Taipingqiao was completed in 2H 2018 with higher rental income compared to the previous year.

Gross profit for the year 2018 increased by 11% to RMB957 million, while *gross profit margin* dropped one percentage point to 75%.

Operating profit jumped by 9% to RMB817 million for the year 2018.

Increase in fair value of the remaining investment properties increased 594% to report a gain of RMB493 million, of which RMB166 million was contributed by completed investment properties and RMB327 million was from investment properties under construction or development. The increase in investment properties under construction or development for the year was from Xintiandi Plaza which was completed in 2H 2018.

Finance costs, inclusive of exchange differences, amounted to RMB401 million. An exchange loss of RMB63 million was recorded as a result of the depreciation of the RMB against the HK$ and the US$ during the year 2018, as compared to an appreciation of the RMB in 2017 which generated a gain of RMB31 million.

Change in fair value of derivative financial instruments represented a loss from the change of fair value of a call option granted to CXTD in previous years.

Taxation increased 173% to RMB454 million. PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profit during the year. The higher tax rate was mainly due to (i) interest expenses from offshore borrowings and change in fair value of derivative financial instruments were not deductible under the tax regime of the PRC; and (ii) additional PRC withholding tax relating to the investment properties disposed of in prior years was provided for in current year.

Profit for the year was RMB356 million.

Liquidity and gearing ratio

Total cash and bank deposits amounted to RMB1,828 million as of 31 December 2018, which included RMB839 million of deposits pledged to banks and RMB709 millions of restricted bank deposits which can only be applied to designated projects of CXTD.

As of 31 December 2018, CXTD's total loans were RMB6,527 million, of which the current portion and non-current portion was RMB3,094 million and RMB3,433 million, respectively. CXTD's net debt balance was RMB4,699 million and its total equity was RMB14,588 million. CXTD's net gearing ratio was 32% as of 31 December 2018, calculated on the basis of the excess of bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

As of 31 December 2018, HK$ borrowing (unhedged) and US$ borrowing (unhedged) amounting to approximately RMB942 million and RMB103 million were equivalent to approximately 16% of total borrowings.

Pledged assets

As of 31 December 2018, CXTD had pledged investment properties, property, plant and equipment, prepaid lease payments, account receivables and bank deposits totaling RMB19,196 million to secure CXTD's borrowings of RMB6,527 million.

Exchange rate and interest rate risks

The revenue of CXTD is denominated in RMB. However, CXTD has certain bank balance and debt obligations that denominated in foreign currency. As a result, CXTD is exposed to fluctuations in foreign exchange rates. As of 31 December 2018, CXTD has entered US$104 million forward to hedge the US$ currency risk against RMB.

CXTD's exposure to interest rate risk results from fluctuations in interest rates. Most of CXTD's bank borrowings consist of variable rate debt obligations with original maturities ranging from three to ten years for bank borrowings. 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.

CXTD 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.

Contingent liabilities

CXTD did not have any material contingent liabilities at 31 December 2018.

Significant investments and material acquisitions and disposals

During the year ended 31 December 2018, CXTD did not have any significant investments nor material acquisitions and disposals.

Human resources

As of 31 December 2018, CXTD had 310 employees. Comprehensive benefits packages were provided for all employees as well as career development opportunities. This includes retirement schemes, medical insurance, other insurances, in-house training, on-the-job training, external seminars and programs organized by professional bodies and educational institutes. Remuneration policy for rewarding employees is based on their performance, qualifications and competency displayed in achieving corporate goals.

For the year ended 31 December 2017

Financial review

For the year ended 31 December 2017, the turnover and profit attributable to the shareholders of CXTD were RMB1,133 million and RMB102 million respectively, representing increase of 6% and decrease of 86% compared with the previous year.

Turnover increased to RMB1,133 million. *Rental and related income* from investment properties for the year 2017 increased to RMB1,016 million, mainly due to higher rental income from the mature investment properties. Backed by continuing improvements to occupancy rates and higher renewal rental rates, contributions from The HUB at Shanghai Hongqiao Transportation Hub increased to RMB326 million for the year 2017 (2016: RMB269 million). The increase compensated for the loss of rental income from Xintiandi Plaza located at Shanghai Taipingqiao, due to an on-going AEI during the year 2017.

Gross profit for the year 2017 increased by 10% to RMB859 million, while *gross profit margin* rose three percentage points to 76%.

Operating profit jumped by 16% to RMB748 million for the year 2017.

Loss on disposal of investment properties through disposal of subsidiaries related to the disposal of 3 Corporate Avenue in 2016. The net asset value of the disposed subsidiaries was finalised during the year ended 31 December 2017. The consideration was adjusted downward by RMB19 million and recognised as loss for the year 2017.

Increase in fair value of the remaining investment properties decreased 78% to report a gain of RMB71 million, of which RMB66 million was contributed by completed investment properties and RMB5 million was from investment properties under construction or development. The decrease in fair value of the remaining investment properties for the year 2017 mainly related to a RMB197 million fair value loss attributable to the Performance Centre, The HUB, Shanghai, arising from a change in the business model for the Performance Centre from self-operating to leasing. Accordingly, the Performance Centre has been leased to a tenant since March 2017.

Finance costs, inclusive of exchange differences, amounted to RMB370 million. An exchange gain of RMB31 million was recorded as a result of the appreciation of the RMB against the HK$ and the US$ during the year 2017, as compared to a depreciation of the RMB in 2016 which generated a loss of RMB71 million.

Change in fair value of derivative financial instruments represented a loss from the change of fair value of a call option granted to CXTD in previous years.

Taxation decreased 30% to RMB166 million. PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profit during the year. The higher tax rate was mainly due to interest expenses from offshore borrowings and change in fair value of derivative financial instruments were not deductible in the PRC.

Profit for the year was RMB122 million.

Liquidity and gearing ratio

Total cash and bank deposits amounted to RMB1,779 million as of 31 December 2017, which included RMB945 million of deposits pledged to banks and RMB407 millions of restricted bank deposits which can only be applied to designated projects of CXTD.

As of 31 December 2017, CXTD's total loans were RMB6,462 million, of which the current portion and non-current portion was RMB115 million and RMB6,347 million, respectively. CXTD's net debt balance was RMB4,683 million and its total equity was RMB14,577 million. CXTD's net gearing ratio was 32% as of 31 December 2017, calculated on the basis of the excess of bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

As of 31 December 2017, HK$ borrowing (unhedged) amounting to approximately RMB899 million was equivalent to approximately 14% of total borrowings.

Pledged assets

As of 31 December 2017, CXTD had pledged investment properties, property, plant and equipment, prepaid lease payments, account receivables and bank deposits totaling RMB19,204 million to secure CXTD's borrowings of RMB6,462 million.

Exchange rate and interest rate risks

The revenue of CXTD is denominated in RMB. However, CXTD has certain bank balance and debt obligations that denominated in foreign currency. As a result, CXTD is exposed to fluctuations in foreign exchange rates. As of 31 December 2017, CXTD has entered US$104 million forward to hedge the US$ currency risk against RMB.

CXTD's exposure to interest rate risk results from fluctuations in interest rates. Most of CXTD's bank borrowings consist of variable rate debt obligations with original maturities ranging from three to ten years for bank borrowings. 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.

CXTD 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.

Contingent liabilities

CXTD did not have any material contingent liabilities at 31 December 2017.

Significant investments and material acquisitions and disposals

During the year ended 31 December 2017, CXTD did not have any significant investments nor material acquisitions and disposals.

Human resources

At 31 December 2017, CXTD had 280 employees. Comprehensive benefits packages were provided for all employees as well as career development opportunities. This includes retirement schemes, medical insurance, other insurances, in-house training, on-the-job training, external seminars and programs organized by professional bodies and educational institutes. Remuneration policy for rewarding employees is based on their performance, qualifications and competency displayed in achieving corporate goals.

For the year ended 31 December 2016

Financial review

For the year ended 31 December 2016, the turnover and profit attributable to the shareholders of CXTD were RMB1,068 million and RMB727 million respectively, representing decrease of 6% and 80% compared with the previous year.

Turnover decreased to RMB1,068 million. *Rental and related income* from investment properties for the year 2016 decreased to RMB976 million, mainly due to the loss of rental income from 1 & 2, 3 Corporate Avenue located at Shanghai Taipingqiao which were disposed of in August 2015 and February 2016 respectively. The decrease was partially compensated by continued leasing process made at The HUB, plus rental growth from the existing completed investment property portfolio.

Gross profit for the year 2016 decreased by 8% to RMB783 million, while *gross profit margin* dropped two percentage points to 73%.

Operating profit dropped by 3% to RMB647 million for the year 2016.

Gain on disposal of investment properties through disposal of subsidiaries represented gains from the disposal of 3 Corporate Avenue in 2016. The gain on investment properties disposed of was RMB476 million during the year 2016.

Increase in fair value of the remaining investment properties decreased 86% to report a gain of RMB322 million, which was contributed by completed investment properties.

Finance costs, inclusive of exchange differences, amounted to RMB460 million. An exchange loss of RMB71 million was recorded as a result of the depreciation of the RMB against the HK$ and the US$ during the year 2016.

Change in fair value of derivative financial instruments represented a gain from the change of fair value of a call option granted to CXTD in previous years.

Taxation decreased 86% to RMB237 million. PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profit during the year. The lower tax rate was mainly due to less income tax arose on disposal of subsidiaries which compensated the non-deductible interest expenses from offshore borrowings.

Profit for the year was RMB758 million.

Liquidity and gearing ratio

Total cash and bank deposits amounted to RMB2,190 million as of 31 December 2016, which included RMB1,281 million of deposits pledged to banks and RMB350 millions of restricted bank deposits which can only be applied to designated projects of CXTD.

As of 31 December 2016, CXTD's total loans were RMB7,013 million, of which the current portion and non-current portion were RMB1,128 million and RMB5,885 million, respectively. CXTD's net debt balance was RMB4,823 million and its total equity was RMB14,470 million. CXTD's net gearing ratio was 33% as of 31 December 2016, calculated on the basis of the excess of bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

As of 31 December 2016, HK$ borrowing (unhedged) amounting to approximately RMB1,000 million was equivalent to approximately 14% of total borrowings.

Pledged assets

As of 31 December 2016, CXTD had pledged investment properties, property, plant and equipment, prepaid lease payments, accounts receivable and bank deposits totaling RMB22,791 million to secure CXTD's borrowings of RMB7,013 million.

Exchange Rate and Interest Rate Risks

The revenue of CXTD is denominated in RMB. However, CXTD has certain bank balance and debt obligations that denominated in foreign currency. As a result, CXTD is exposed to fluctuations in foreign exchange rates.

CXTD's exposure to interest rate risk results from fluctuations in interest rates. Most of CXTD's bank borrowings consist of variable rate debt obligations with original maturities ranging from three to ten years for bank borrowings. 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.

CXTD 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.

Contingent liabilities

CXTD did not have any material contingent liabilities at 31 December 2016.

Significant investments

During the year ended 31 December 2016, CXTD did not have any significant investments.

Material disposal

On 10 December 2015, CXTD entered into a sale and purchase agreement with independent third parties to dispose of 100% equity interest in Infoshore International Limited ("Infoshore") and the related shareholders' loans for an aggregate cash consideration of approximately RMB5,759 million. Infoshore indirectly held 3 Corporate Avenue located in Shanghai Taipingqiao project. The transaction was completed on 2 February 2016.

Human resources

At 31 December 2016, CXTD had 296 employees. Comprehensive benefits packages were provided for all employees as well as career development opportunities. This includes retirement schemes, medical insurance, other insurances, in-house training, on-the-job training, external seminars and programs organized by professional bodies and educational institutes. Remuneration policy for rewarding employees is based on their performance, qualifications and competency displayed in achieving corporate goals.

(A) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP UPON COMPLETION AS AT 30 JUNE 2018

The following unaudited pro forma statement of financial position of the Group (the "Unaudited Pro Forma Financial Information") has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects of the Acquisition on the Group as if the Acquisition had been completed on 30 June 2018.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 which has been extracted from the Company's interim report for the six months ended 30 June 2018 after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been completed as at 30 June 2018.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the financial position of the Group that would have been attained had the Acquisition been completed on 30 June 2018, nor purport to predict the future financial position of the Group.

UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE GROUP UPON COMPLETION AS AT 30 JUNE 2018

	Unaudited consolidated statement of financial position of the Group as at 30 June 2018	Pro forma adjustments		Unaudited pro forma statement of financial position of the Group upon Completion as at 30 June 2018
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
	Note 1	*Note 2*	*Note 3*	
ASSETS				
Non-Current Assets				
Investment properties	49,088			49,088
Property, plant and equipment	1,108			1,108
Interests in associates	5,014			5,014
Interests in joint ventures	6,127			6,127
Accounts receivable, deposits and prepayments	353			353
Deferred tax assets	1,125			1,125
Derivative financial instruments	340			340
Pledged bank deposits	668			668
Other non-current assets	41			41
	63,864			63,864
Current Assets				
Properties under development for sale	12,166			12,166
Properties held for sale	7,304			7,304
Accounts receivable, deposits and prepayments	9,321			9,321
Amounts due from related companies	634			634
Loan to an associate	1,260			1,260
Loans to/amounts due from joint ventures	832			832
Contract assets	110			110
Derivative financial instruments	87			87
Pledged bank deposits	626			626
Bank balances and cash	10,006	(3,406)	(2)	6,598
	42,346	**(3,406)**	**(2)**	**38,938**
Total Assets	**106,210**	**(3,406)**	**(2)**	**102,802**

	Unaudited consolidated statement of financial position of the Group as at 30 June 2018	Pro forma adjustments		Unaudited pro forma statement of financial position of the Group upon Completion as at 30 June 2018
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
	Note 1	*Note 2*	*Note 3*	
LIABILITIES				
Current Liabilities				
Accounts payable, deposits received and accrued charges	7,330			7,330
Contract liabilities	3,184			3,184
Amounts due to related companies	345			345
Amounts due to non-controlling shareholders of subsidiaries	9			9
Loans from a non-controlling shareholder of subsidiaries	1,680			1,680
Tax liabilities	3,346			3,346
Bank borrowings - due within one year	9,550			9,550
Liabilities arising from rental guarantee arrangements	170			170
	25,614	**—**	**—**	**25,614**
Non-Current Liabilities				
Bank borrowings - due after one year	16,018			16,018
Senior notes	7,223			7,223
Liabilities arising from rental guarantee arrangements	388			388
Deferred tax liabilities	6,960			6,960
Defined benefit liabilities	5			5
	30,594	**—**	**—**	**30,594**
Total Liabilities	**56,208**	**—**	**—**	**56,208**
Net Assets	**50,002**	**(3,406)**	**(2)**	**46,594**

	Unaudited consolidated statement of financial position of the Group as at 30 June 2018	Pro forma adjustments		Unaudited pro forma statement of financial position of the Group upon Completion as at 30 June 2018
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
	Note 1	*Note 2*	*Note 3*	
CAPITAL AND RESERVES				
Equity attributable to shareholders of the Company	**39,047**	**(381)**	**(2)**	**38,664**
Convertible perpetual securities	1	(1)		—
Convertible perpetual capital securities	1,346			1,346
Perpetual capital securities	4,054			4,054
Other non-controlling shareholders of subsidiaries	5,554	(3,024)		2,530
Total Equity	**50,002**	**(3,406)**	**(2)**	**46,594**

Note 1 The unaudited consolidated financial position of the Group as at 30 June 2018 is extracted from the Company's published interim report for the period ended 30 June 2018.

Note 2 The adjustment represents:

(i) the consideration of RMB3,406,263,700 (equivalent to approximately HK$4,073,780,000) for the Sale Shares, and the Sale CPS, payable by China Xintiandi upon completion of the Acquisition. For the purpose of this Unaudited Pro Forma Financial Information, the Consideration payable for the Acquisition is expected to be satisfied by China Xintiandi with internal funding and/or external financing. As of the date of this circular, the Group has not yet determined the funding option as disclosed in the letter from the Board in this circular.

(ii) the derecognition of the carrying value of respective non-controlling interest of the Target Company and the Sale CPS; and

(iii) the difference between (i) and (ii) above amounting to RMB381 million is recognised in equity since the Target Company is a subsidiary of the Company before and after the Acquisition. Such amount may be different as at completion of the Acquisition.

Note 3 The adjustment is made to reflect the estimated transaction expenses, such as legal, accounting and other professional fees, of approximately RMB2,400,000 incurred directly attributable to the Acquisition.

Note 4 Apart from the Acquisition, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2018.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Shui On Land Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shui On Land Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 June 2018 and related notes as set out on pages IV-1 to IV-4 of Appendix IV to the circular issued by the Company dated 20 February 2019 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-4 of Appendix IV to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of all the remaining interests held by BSREP CXTD Holdings L.P. in China Xintiandi Holding Company Limited on the Group's financial position as at 30 June 2018 as if the transaction had taken place at 30 June 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2018, on which a report on review of condensed consolidated financial statements has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 February 2019

The following is the text of the letter and valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent property valuer, in connection with the valuation of the property interest of CXTD as at 31 December 2018.

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The Directors
Shui On Land Limited
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Huang Pu District
Shanghai
The PRC

20 February 2019

Dear Sirs

Various Property Interests in the People's Republic of China

In accordance with your instructions for us to value the various property interest held by Shui On Land Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 December 2018.

Basis of Valuation

Our valuation is our opinion of the market value of the property interest which we would define as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market value is also the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser. Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In preparing our valuation report, we have complied with "The HKIS Valuation Standards 2017" published by the Hong Kong Institute of Surveyors, all requirements contained in the provision of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Valuation Methodology

As the properties are income-producing, we considered it is most appropriate to value the properties by using "Income Approach — term and reversion method" compared with other valuation methodologies. In the course of our valuation, we have valued the properties by capitalizing the net income shown on tenancy schedules handed to us by the Group and made provisions for reversionary income potential. We have also made reference to sales evidence as available in the market.

Title Documents and Encumbrances

We have been provided with copies of extracts of title documents relating to the properties. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Group and its PRC legal advisers, Jin Mao PRC Lawyers, regarding the title and other legal matters relating to the properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restriction and outgoings of an onerous nature which could affect their values.

Source of Information

We have relied to a considerable extent on the information given by the Group and the legal opinion of the Company's PRC legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, ownership, completion dates of buildings, particulars of occupancy, tenancy details, floor and site areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the properties and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

Inspection and Structural Condition

We have inspected the properties. The inspection were carried out by our valuer, Moira Zhou in December 2018 and February 2019 under supervision of Clement Leung. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Identity of Property to be valued

We exercised reasonable care and skill (but will not have an absolute obligation to the Group) to ensure that the properties, identified by the property addresses in the instructions, are the properties inspected by us and contained within our valuation report.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the properties have been constructed, occupied and used in full compliance with, and without contravention of any ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the properties upon which this report are based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Remarks

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the values of the properties.

Currency

All money amounts stated are in Renminbi.

Our summary of values and valuation report are attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Clement Leung
MFin MCIREA MRICS MHKIS RPS(GP)
RICS Registered Valuer
Executive Director, China Valuation & Advisory

Note: Clement Leung is a qualified valuer who has 26 years of experiences in property valuation and consultancy services in the PRC and Hong Kong.

SUMMARY OF VALUES

No.	Property	Market value in existing state as at 31 December 2018	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 December 2018
		RMB		*RMB*
	Property interests held by the Group for investment purpose			
1.	Shanghai Xintiandi, No. 1-3, No. 7, Lane 123, Xing Ye Road, No. 5-6, Lane 123, Xing Ye Road, No.1-5, No.16-23, No.27-28, Lane 181, Tai Cang Road, No.6-15, No.25-26, Lane 181, Tai Cang Road Huang Pu District, Shanghai The PRC	5,609,700,000	100%	5,609,700,000
2.	Xintiandi Style of Casa Lakeville No. 281 Ma Dang Road Huang Pu District, Shanghai The PRC	2,006,800,000	99%	1,986,732,000
3.	Various Portions of Shui On Plaza No. 333 Huai Hai Zhong Road Huang Pu District, Shanghai The PRC	4,668,100,000	80%	3,734,480,000
4.	Level 15 of Shui On Plaza No. 333 Huai Hai Zhong Road Huang Pu District, Shanghai The PRC	197,500,000	100%	197,500,000
5.	Commercial portion of Wuhan Tiandi No. 68 Lugouqiao Road Jiang'an District Wuhan, Hubei Province The PRC	1,878,200,000	100%	1,878,200,000
6.	Office Tower Nos 1 to 3 and 5 of THE HUB No. 900 Shenchang Road Hongqiao Central Business District Min Hang District, Shanghai The PRC	4,982,400,000	100%	4,982,400,000

No.	Property	Market value in existing state as at 31 December 2018	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 December 2018
		RMB		*RMB*
7.	Shopping Mall of THE HUB No. 900 Shenchang Road Hongqiao Central Business District Min Hang District, Shanghai The PRC	3,064,000,000	100%	3,064,000,000
8.	Xintiandi of THE HUB No. 900 Shenchang Road Hongqiao Central Business District Min Hang District, Shanghai The PRC	576,000,000	100%	576,000,000
9.	Performance Centre of THE HUB No. 900 Shenchang Road Hongqiao Central Business District Min Hang District, Shanghai The PRC	321,000,000	100%	321,000,000
	Grand Total:	**23,303,700,000***		**22,350,012,000**

Note: As advised by the Company, the grand total of RMB23,303,700,000 includes various self-use portions with a total market value of RMB281,600,000. For details, please refer to property no. 1 note 13, property no. 2 note 7 and property no. 3 note 2.

VALUATION REPORT

Property interests held by the Group for investment purpose

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2018
1.	Shanghai Xintiandi, No. 1-3, No. 7, Lane 123, Xing Ye Road, No. 5-6, Lane 123, Xing Ye Road, No.1-5, No.16-23, No.27-28, Lane 181, Tai Cang Road, No.6-15, No.25-26, Lane 181, Tai Cang Road, Huang Pu District, Shanghai, the PRC	Shanghai Taipingqiao Project is a large-scale redevelopment project and is a mixed use property development project located at the city centre of Shanghai - the Taipingqiao Area in Huang Pu District. It is located one block south of Huai Hai Zhong Road and at the intersection of Shanghai's major urban freeways. Shanghai Xintiandi is Phase 1 of the Shanghai Taipingqiao Project and is a mixed use property development project. The property comprises 4 plots of land (namely Lot 109-I, 109-II, 112-I and 112-II) with a total site area of approximately 29,706 sq m and was developed as a low density commercial, hotel, entertainment and cultural complex by refurbishment of existing Shikumen buildings together with some low-rise modern buildings. The property was developed in two phases completed in 2001 and May 2002. Hotel block of the property is refurbished into a 6-storey retail mall named "The House". According to the information provided, the property provides the following gross floor area: **Use** — **Gross Floor Area (sq m)** Retail — 42,602 Retail (The House) — 7,134 Clubhouse — 1,234 Office — 3,987 Car park (basement) (210 nos) — 10,850 Other — 3,097 Total: — 68,904 The property is held under a land use right term of 50 years commencing from 19 August 1998 and expiring on 18 August 2048 for composite use.	Commercial / office portion of the property (excluding the House and clubhouse) with a total gross floor area of approximately 46,050 sq m has been leased under various tenancies with the last tenancy expiring on 31 December 2023 yielding a total monthly base rental of approximately RMB24,910,000 exclusive of management fee. A total gross floor area of approximately 135 sq m is vacant whilst the remaining commercial portion of the property is owner-occupied. The House of property has been fully leased under various tenancies with the last tenancy expiring on 30 September 2020 yielding a total monthly base rental of approximately RMB1,960,000 exclusive of management fee. 147 basement car parking spaces are let on hourly basis whilst 63 basement car parking spaces are owner-occupied. Clubhouse portion of the property with a gross floor area of approximately 1,234 sq m is owner-occupied. Advertising boards of the property is subject to various licences with a total average monthly licence fee of approximately RMB1,370,000.	RMB5,609,700,000 (RENMINBI FIVE BILLION SIX HUNDRED NINE MILLION AND SEVEN HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: RMB5,609,700,000)

Notes:

Lot 109

1. Pursuant to the Business Licence with Unified Social Credit No 913100006074012573 dated 17 March 2016, Shanghai Ji Xing Properties Co., Ltd. ("Ji Xing") was incorporated with a registered capital of RMB69,452,000 for a valid period from 2 February 1999 to 1 February 2049.

2. Pursuant to the Business Licence with Unified Social Credit No 91310000607401281K dated 17 March 2016, Shanghai Bai Xing Properties Co., Ltd. ("Bai Xing") was incorporated with a registered capital of RMB146,761,000 for a valid period from 2 February 1999 to 1 February 2049.

3. Pursuant to the Shanghai Real Estate Ownership Certificate No Hu Fang Di Shi Zi (1999) Di 100084 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 31 May 1999, the title to the land located at Lot 109-I with a site area of approximately 5,886 sq m is vested in Ji Xing for a term commencing from 19 August 1998 and expiring on 18 August 2048 for composite use.

4. Pursuant to the Shanghai Real Estate Ownership Certificate No Hu Fang Di Shi Zi (1999) Di 100083 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 31 May 1999, the title to the land located at Lot 109-II with a site area of approximately 8,558 sq m is vested in Bai Xing for a term commencing from 19 August 1998 and expiring on 18 August 2048 for composite use.

5. Pursuant to three Shanghai Real Estate Ownership Certificates all issued by the Shanghai Real Estate and Land Resources Administration Bureau in 2001, the title to portion of the property with a total gross floor area of 6,017.24 sq m is vested in Ji Xing for commercial use. The details of which are listed as follows:

No.	**Certificate No**	**Lot**	**Address**	**Gross Floor Area** *(sq m)*
(1)	Hu Fang Di Shi Zi (2001) Di 010756	109-I	Tai Cang Road 181 Nong Nos 9-12 and 25	2,634.12
(2)	Hu Fang Di Shi Zi (2001) Di 010757	109-I	Tai Cang Road 181 Nong Nos 15 and 26	1,285.61
(3)	Hu Fang Di Shi Zi (2001) Di 010758	109-I	Tai Cang Road Nos 6-8	2,097.51

6. Pursuant to four Shanghai Real Estate Ownership Certificates all issued by the Shanghai Real Estate and Land Resources Administration Bureau in 2001 and 2002, the title to portion of the property with a total gross floor area of 17,137.61 sq m is vested in Bai Xing. The details of which are listed as follows:

No.	**Certificate No**	**Lot**	**Address**	**Use**	**Gross Floor Area** *(sq m)*
(1)	Hu Fang Di Shi Zi (2001) Di 010759	109-II	Tai Cang Road 181 Nong Nos 19-23	Commercial	2,840.80
(2)	Hu Fang Di Shi Zi (2001) Di 010760	109-II	Tai Cang Road 181 Nong Nos 2, 3, 5, 16 and 18	Commercial	3,434.28
(3)	Hu Fang Di Shi Zi (2001) Di 010761	109-II	Tai Cang Road 181 Nong Nos 1 and 17	Commercial	3,316.59
(4)	Hu Fang Di Shi Zi (2002) Di 003005	109-II	Tai Cang Road 181 Nong Nos 27 and 28	Office	7,545.94

Lot 112

7. Pursuant to the Business Licence with Unified Social Credit No 91310000607401265X dated 17 March 2016, Shanghai Xing Qi Properties Co., Ltd. ("Xing Qi") was incorporated with a registered capital of RMB266,653,000 for a valid period from 2 February 1999 to 1 February 2049.

8. Pursuant to the Business Licence with Unified Social Credit No 91310000607401273Q dated 17 March 2016, Shanghai Xintiandi Plaza Co., Ltd. ("Xintiandi") was incorporated with a registered capital of RMB98,261,000 for a valid period from 2 February 1999 to 1 February 2049.

9. Pursuant to the Shanghai Real Estate Title Ownership Certificate No Hu Fang Di Shi Zi (2001) Di 003633 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 23 May 2001, the title to the land located at Lot 112-I with a site area of approximately 6,559 sq m is vested in Xintiandi for a term commencing from 19 August 1998 and expiring on 18 August 2048 for composite use.

10. Pursuant to the Shanghai Real Estate Title Ownership Certificate No Hu Fang Di Shi Zi (2001) Di 003634 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 23 May 2001, the title to the land located at Lot 112-II with a site area of approximately 8,703 sq m is vested in Xing Qi for a term commencing from 19 August 1998 and expiring on 18 August 2048 for composite use.

11. Pursuant to two Shanghai Real Estate Ownership Certificates all issued by the Shanghai Real Estate and Land Resources Administration Bureau in 2008 and 2015, the title to portion of the property with a total gross floor area of 32,070.54 sq m is vested in Xing Qi. The details of which are listed as follows:

No.	**Certificate No**	**Lot**	**Address**	**Use**	**Gross Floor Area** *(sq m)*
(1)	Hu Fang Di Huang Zi (2015) Di 053845	112-II	Xingye Road 123 Nong No 5	Commercial and apartment	7,134.39
(2)	Hu Fang Di Lu Zi (2008) Di 000734	112-II	Xingye Road 123 Nong No 6	Commercial	24,936.15

12. Pursuant to two Shanghai Real Estate Ownership Certificates all issued by the Shanghai Real Estate and Land Resources Administration Bureau in 2002, the title to portion of the property with a total gross floor area of 13,678.748 sq m is vested in Xintiandi. The details of which are listed as follows:

No.	**Certificate No**	**Lot**	**Address**	**Use**	**Gross Floor Area** *(sq m)*
(1)	Hu Fang Di Shi Zi (2002) Di 012063	112-I	Xingye Road 123 Nong No 1-3	Commercial and office	2,907.58
(2)	Hu Fang Di Shi Zi (2002) Di 012451	112-I	Xingye Road 123 Nong No 7	Commercial	10,771.16

13. According to your specific terms of instruction to provide the breakdown of market value of the clubhouse portion of the property in Lot 109 with a total gross floor area of approximately 1,234 sq m, the aggregate market value of the aforesaid portion was approximately RMB82,000,000 as at the date of valuation.

14. We have been provided with the Company's PRC legal adviser's opinion, which inter-alia, contains the following:

    (i) Ji Xing, Bai Xing, Xing Qi and Xintiandi have been legally established;
    (ii) Ji Xing, Bai Xing, Xing Qi and Xintiandi are the sole owner of the property;
    (iii) the property is subject to a mortgage;
    (iv) the property can be legally occupied, used or transferred by Ji Xing, Bai Xing, Xing Qi and Xintiandi subject to relevant laws and regulations and conditions stipulated in the mortgage contract; and
    (v) other than the mortgage as mentioned in note (14)(iii), the property is free from mortgages and other encumbrances.

<table>
<tr><th>No.</th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market Value in existing state as at 31 December 2018</th></tr>
<tr>
<td>2.</td>
<td>Xintiandi Style of Casa Lakeville
No. 281
Ma Dang Road
Huang Pu District
Shanghai
The PRC</td>
<td>Shanghai Taipingqiao Project is a large-scale redevelopment project and is a mixed use property development project located at the city centre of Shanghai - the Taipingqiao Area in Huang Pu District. It is located one block South of Huai Hai Zhong Road and at the intersection of Shanghai's major urban freeways.

Casa Lakeville (the "Development") is part of the Shanghai Taipingqiao Project located at the centre of the development zone with a site area of approximately 23,863 sq m and bounded by Zi Zhong Road on the north, South Huang Pi Road on the east, Fu Xing Central Road on the south and Ma Dang Road on the west within the Taipingqiao Area.

The Development is a luxury residential development mixed with commercial facilities. The property comprises a 4-level commercial podium including 2 basement levels of the Development named as "Xintiandi Style" and 116 basement car parking spaces completed in about 2010 and the detail gross floor area are listed as follows:

<table>
<tr><th>Use</th><th>Gross Floor Area (sq m)</th></tr>
<tr><td>Retail (L1)</td><td>9,060</td></tr>
<tr><td>Retail (L2)</td><td>5,846</td></tr>
<tr><td>Retail (B1)</td><td>7,354</td></tr>
<tr><td>Retail (B2)</td><td>4,354</td></tr>
<tr><td>Sub-total:</td><td>26,614</td></tr>
<tr><td>Commercial Car Park (Basement) (113 nos)</td><td>6,103</td></tr>
<tr><td>Residential Car Park (Basement) (3 nos)</td><td>166</td></tr>
<tr><td>Other</td><td>1,883</td></tr>
<tr><td>Grand Total:</td><td>34,766</td></tr>
</table>

The land use right term of the Development has been granted for a term of 70 years commencing from 30 May 2001 and expiring on 29 May 2071 for residential use.</td>
<td>Retail portion of the property has been fully leased under various tenancies with the last tenancy expiring on 31 October 2021 yielding a total monthly rental of approximately RMB7,880,000 exclusive of management fee.</td>
<td>RMB2,006,800,000
(RENMINBI TWO BILLION SIX MILLION AND EIGHT HUNDRED THOUSAND ONLY)

(99% interest attributable to the Group: RMB1,986,732,000)</td>
</tr>
</table>

Notes:

1. Pursuant to the Equity Joint Venture Contract entered into between Shanghai Fuxing Construction and Development Company Limited ("Party A") and Hong Kong East Trend Limited dated ("Party B") dated 8 September 2001 and the approval letter No Hu Wai Zi Wei Xie (2005) 691 dated 7 April 2005, both parties agreed to establish a joint venture company. The salient conditions as stipulated in the joint venture contract and the approval letter are as follows:

(i) Name of joint venture company	:	Shanghai Fu Xiang Property Co., Ltd (the "Joint Venture")
(ii) Period of operation	:	70 years from the date of issuance of business licence
(iii) Total investment amount	:	RMB1,035,000,000 (currently change to RMB1,635,000,000)
(iv) Registered capital	:	RMB345,000,000 (currently change to RMB645,000,000) (Party A : 1%, Party B : 99%)

2. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

3. Pursuant to the Business Licence No 0377657 dated 21 November 2007, the Joint Venture was incorporated with a registered capital of RMB645,000,000 for a valid period from 19 December 2001 to 18 December 2071. Its scope of business includes construction, development and operation of real estate; leasing and sales of real estate; provision of amenities, commercial and entertainment facilities in association with real estate development; and property management.

4. Pursuant to the Shanghai Real Estate Ownership Certificate No Hu Fang Di Lu Zi (2007) Di 001859 issued by the Shanghai Housing and Land Resources Administration Bureau dated 22 May 2007, title to the land with a site area of 23,863 sq m is vested in the Joint Venture for a term commencing from 30 May 2001 and expiring in 29 May 2071 for residential use.

5. Pursuant to the Shanghai Real Estate Ownership Certificate No Hu Fang Di Lu Zi (2010) Di 002729 issued by the Shanghai Planning, Land and Resources Administration Bureau dated 29 September 2010, the title to the property (commercial podium) with a total gross floor area of 26,613.62 sq m is vested in the Joint Venture.

6. Pursuant to the Shanghai Real Estate Ownership Certificate No Hu Fang Di Lu Zi (2010) Di 003345 issued by the Shanghai Planning, Land and Resources Administration Bureau dated 16 December 2010, title to the property (basement carpark) with a gross floor area of 25,100.10 sq m is vested in the Joint Venture.

7. According to your specific terms of instruction to provide the breakdown of market value of the 3 residential basement car parking spaces of the property, the aggregate market value of the aforesaid residential car parking spaces was approximately RMB1,500,000 as at the date of valuation.

8. We have been provided with the Company's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) the Joint Venture has been legally established;
   (ii) the Joint Venture is the sole owner of the property;
   (iii) retail portion of the property is subject to a mortgage;
   (iv) the property can be legally occupied, used or transferred by the Joint Venture subject to relevant laws and regulations and conditions stipulated in the mortgage contract; and
   (v) other than the mortgage as mentioned in note (8)(iii), the property is free from mortgages and other encumbrances.

<table>
<tr><th>No.</th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market Value in existing state as at 31 December 2018</th></tr>
<tr>
<td>3.</td>
<td>Various Portions of Shui On Plaza
No. 333 Huai Hai Zhong Road
Huang Pu District
Shanghai
The PRC</td>
<td>Shui On Plaza (the “Development”) is a commercial development completed in December 1996. It is situated on the southern side of Huai Hai Zhong Road and has a total gross floor area of over 77,000 sq m. It occupies an island site bounded by Huai Hai Zhong Road, Huang Pi South Road, Ma Dang Road and Xing’an Road in Huang Pu District of Shanghai.

Shui On Plaza is 23-storey Grade A office tower erected over 2 basement levels. The basement levels and Level 1 (ground level) to Level 6 are shopping arcade whilst Level 8 to Level 26 (Level 13, Level 14 & Level 24 do not exist) accommodate various office units with different sizes. A total number of 149 car parking spaces are provided on carport podium from Level 1 to Level 6.

The property comprises the whole of retail portion and various office units of the Development including 149 car parking spaces and the detail gross floor area are listed as follows:

<table>
<tr><th>Use</th><th>Gross Floor Area (sq m)</th></tr>
<tr><td>Retail (Basement Levels 1 and 2 and Level 1 to Level 6)</td><td>27,543</td></tr>
<tr><td>Office*</td><td>29,860</td></tr>
<tr><td>Car Park</td><td>7,416</td></tr>
<tr><td>Other</td><td>811</td></tr>
<tr><td>Total:</td><td>65,630</td></tr>
</table>

* Office units are located in Levels 8 to 12, 16, 19, 21 to 23, 25 and 26.

The property is held under a land use right term commencing from 11 November 1994 and expiring on 10 November 2044 for composite use.</td>
<td>Office portion of the property has been fully leased under various tenancies yielding a total current monthly rental of approximately RMB7,450,000 with the last expiry date on 31 December 2022 whilst the remaining office portion of the property with a total gross floor area of approximately 7,721 sq m is owner-occupied.

Retail portion of the property with a total gross floor area of approximately 22,561 sq m has been leased under various tenancies yielding a total current monthly rental of approximately RMB7,040,000 with the last expiry date on 30 June 2026 whilst the remaining retail portion of the property with a total gross floor area of approximately 4,982 sq m is vacant.

Majority portion of the 149 car parking spaces are let on an hourly basis whilst the remaining portion of the car parking spaces is let under various tenancies / licences. The property also has a miscellaneous income of approximately RMB59,000 per month.</td>
<td>RMB4,668,100,000
(RENMINBI FOUR BILLION SIX HUNDRED SIXTY EIGHT MILLION AND ONE HUNDRED THOUSAND ONLY)

(80% interest attributable to the Group: RMB3,734,480,000)</td>
</tr>
</table>

Notes:

1. Pursuant to the Shanghai Real Estate Title Certificate No Hu Fang Di Shi Zi (1997) Di 000461 issued by the Shanghai Housing and Land Administration Bureau on 18 February 1997, the land use right of the Development with a site area of 7,958 sq m and the building ownership of the Development with a total gross floor area of 77,067.72 sq m are vested in Shanghai Jiu Hai Rimmer Properties Company Limited (上海九海利盟房地產有限公司) ("Shanghai Jiu Hai Rimmer") for a land use right term commencing from 11 November 1994 to 10 November 2044 for composite use.

2. According to your specific terms of instruction to provide the breakdown of market value for owner-occupied office portion on Level 23 of the property with a total gross floor area of approximately 2,573 sq m, the aggregate market value of the aforesaid portion was approximately RMB198,100,000 as at the date of valuation.

3. We have been provided with the Company's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Shanghai Jiu Hai Rimmer has been legally established;
   (ii) Shanghai Jiu Hai Rimmer is the sole owner of the property;
   (iii) the property can be legally occupied, used or transferred by Shanghai Jiu Hai Rimmer subject to relevant laws and regulations; and
   (iv) the property is free from mortgages and other encumbrances.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2018
4.	Level 15 of Shui On Plaza No. 333 Huai Hai Zhong Road Huang Pu District Shanghai The PRC	Shui On Plaza (the "Development") is a commercial development completed in December 1996. It is situated on the southern side of Huai Hai Zhong Road and has a total gross floor area of over 77,000 sq m. It occupies an island site bounded by Huai Hai Zhong Road, Huang Pi South Road, Ma Dang Road and Xing'an Road in Huang Pu District of Shanghai. Shui On Plaza is 23-storey Grade A office tower erected over 2 basement levels. The basement levels and Level 1 (ground level) to Level 6 are shopping arcade whilst Level 8 to Level 26 (Level 13, Level 14 & Level 24 do not exist) accommodate various office units with different sizes. A total number of 149 car parking spaces are provided on carport podium from Level 1 to Level 6. The property comprises whole of Level 15 of the Development with a total gross floor area of 2,574 sq m. The property is held under a land use right term commencing from 2 December 1997 and expiring on 10 November 2044 for composite use.	Portion of the property with a total gross floor area of approximately 2,187 sq m has been leased under various tenancies yielding a total monthly rental of approximately RMB720,000 with the last tenancy expiring on 28 February 2023 whilst the remaining portion of the property with a total gross floor area of approximately 387 sq m is vacant.	RMB197,500,000 (RENMINBI ONE HUNDRED NINETY SEVEN MILLION AND FIVE HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: RMB197,500,000)

Notes:

1. Pursuant to the Shanghai Real Estate Title Certificate No Hu Fang Di Shi Zi (1998) Di 001173 issued by the Shanghai Housing and Land Administration Bureau on 30 March 1998, the building ownership of the property with a total gross floor area of 2,574.51 sq m and the land use right of the property with an allocated site area of 265.8 sq m are vested in Trendex Investment Limited (順迪投資有限公司) ("Trendex") for a land use right term commencing from 2 December 1997 to 10 November 2044 for composite use.

2. We have been provided with the Company's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Trendex has been legally established;
   (ii) Trendex is the sole owner of the property;
   (iii) the property can be legally occupied, used or transferred by Trendex subject to relevant laws and regulations; and
   (iv) the property is free from mortgages and other encumbrances.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2018
5.	Commercial portion of Wuhan Tiandi No. 68 Lugouqiao Road Jiang'an District Wuhan Hubei Province The PRC	Wuhan Tiandi (the "Development") is a comprehensive development to be developed by various phases comprising residential clusters, office towers, luxury hotels, serviced apartments, shopping arcades, carparks and public facilities. The Development is situated in Jiang'an District comprising Site A and Site B with respective site areas of approximately 191,590 sq m and 288,433 sq m together add-up with a total site area of 480,023 sq m. Site A is situated on the southern site of Huangpu Road whereas Site B is situated on the northern side of Huangpu Road. The property comprises five low-rise commercial blocks erected on Lot A4-1, four low-rise commercial blocks erected on Lot A4-2, four low-rise commercial blocks erected on Lot A4-3 and 378 basement car parking spaces of the Development completed in 2007 to 2009 and the detail gross floor area are listed as follows:	Portion of the property with a total gross floor area of approximately 38,471 sq m has been leased under various tenancies with the last tenancy expiring on 31 August 2023 yielding a total monthly rental of approximately RMB8,150,000 whilst the remaining commercial portion of the property with a total gross floor area of approximately 7,474 sq m is vacant.	RMB1,878,200,000 (RENMINBI ONE BILLION EIGHT HUNDRED SEVENTY EIGHT MILLION AND TWO HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: RMB1,878,200,000)

Block	Use	Gross Floor Area (sq m)
1	Commercial	1,209
2-I	Commercial	4,269
2-II	Commercial	3,741
3	Commercial	3,540
4	Commercial	3,009
Sub-total:		15,768

Block	Use	Gross Floor Area (sq m)
5	Commercial	1,998
6	Commercial	3,119
7	Commercial	3,929
8	Commercial	1,835
Sub-total:		10,881

Block	Use	Gross Floor Area (sq m)
9	Commercial	5,512
10	Commercial	1,440
11	Commercial	8,188
12	Commercial	4,497
Sub-total:		19,637

Block	Gross Floor Area (sq m)
Car park (Basement) (378 nos)	10,652
Other	14,076
Total:	71,014

The property is held under various land use right terms for commercial, servicing, landscaping and residential uses. *(For details of the land use right terms, please refer to note 2 below)*

Notes:

1. Pursuant to the Business Licence No 0912579 dated 19 October 2012 issued by the Wuhan Commerce and Administration Bureau, Wuhan Shuion Shangqi Real Estate Management Co., Ltd ("Wuhan Shangqi") was incorporated with a registered capital of US$14,400,000 for a valid period from 24 July 2012 to 23 July 2075. The scope of business includes construction, development, operation, sales, leasing, consultancy and property management of real estate.

2. Pursuant to three State-owned Land Use Right Certificates all issued by the People's Government of Wuhan dated 3 September 2013, the land use right of the property with a total site area of 42,024.88 sq m is held by Wuhan Shangqi. The details of which are listed as follows:

No.	**Certificate No.**	**Lot**	**Site Area** *(sq m)*	**Use**	**Land Use Right Expiry**
(1)	An Guo Yong (2013) Di 871	A4-1	9,568.29	commercial and servicing (office, commercial and hotel)	15 August 2046
(2)	An Guo Yong (2013) Di 872	A4-2	16,135.90	commercial, servicing and landscaping	17 December 2047
(3)	An Guo Yong (2013) Di 873	A4-3	16,320.69	commercial and servicing	25 June 2048

3. Pursuant to thirteen Real Estate Ownership Certificates all issued by the Wuhan Housing Security and Management Bureau dated 4 December 2012, the title to the property with a total gross floor area of 46,285.92 sq m is vested in Wuhan Shangqi for commercial and servicing uses. The details of which are listed as follows:

No.	**Certificate No.**	**Lot**	**Block**	**Gross Floor Area** *(sq m)*
(1)	Wu Fang Quan Zheng Shi Zi Di 2012028006	A4-1	1	1,209.02
(2)	Wu Fang Quan Zheng Shi Zi Di 2012028010	A4-1	2-1	4,268.97
(3)	Wu Fang Quan Zheng Shi Zi Di 2012028004	A4-1	2-2	3,740.86
(4)	Wu Fang Quan Zheng Shi Zi Di 2012028002	A4-1	3	3,539.51
(5)	Wu Fang Quan Zheng Shi Zi Di 2012028000	A4-1	4	3,009.25
(6)	Wu Fang Quan Zheng Shi Zi Di 2012028009	A4-2	5	1,997.81
(7)	Wu Fang Quan Zheng Shi Zi Di 2012028007	A4-2	6	3,119.13
(8)	Wu Fang Quan Zheng Shi Zi Di 2012028005	A4-2	7	3,928.78
(9)	Wu Fang Quan Zheng Shi Zi Di 2012028003	A4-2	8	1,835.33
(10)	Wu Fang Quan Zheng Shi Zi Di 2012028001	A4-3	9	5,511.88
(11)	Wu Fang Quan Zheng Shi Zi Di 2012027999	A4-3	10	1,439.91
(12)	Wu Fang Quan Zheng Shi Zi Di 2012027998	A4-3	11	8,188.43
(13)	Wu Fang Quan Zheng Shi Zi Di 2012028008	A4-3	12	4,497.04

4. As advised by the Group, the interest of Wuhan Shangqi attributable to the Group was 100%.

5. We have been provided with the Company's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Wuhan Shangqi has been legally established;
   (ii) Wuhan Shangqi is the sole owner of the property;
   (iii) commercial portion of the property is subject to a mortgage;

(iv) the property can be legally occupied, used or transferred by Wuhan Shangqi subject to relevant laws and regulations and conditions stipulated in the mortgage contract; and

(v) other than the mortgage as mentioned in note (5)(iii), the property is free from mortgages and other encumbrances.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2018
6.	Office Tower Nos 1 to 3 and 5 of THE HUB No. 900 Shenchang Road Hongqiao Central Business District Min Hang District Shanghai The PRC	Shanghai Hongqiao Central Business District sprawls over more than 86 sq km. The main functional area of Hongqiao Central Business District takes up 27 sq km - boarding Beidi Road in the north, Hu-Yu Expressway in the south, the Outer Ring Expressway in the east and the existing railway outer-ring in the west. According to the information provided by Shanghai Hongqiao Central Business District, the first phase of the main functional area of Hongqiao Central Business District covers 1.43 sq km. The total build-up area has a plan of 1,700,000 sq m, which may allocate 57 percent for offices, 12 percent for retails, 5.5 percent for entertainment venues, 6.5 percent for hotels and 10 percent for exhibition spaces. The development ("Development") comprises Lot 6 of Phase 1 of Hongqiao Central Business District named "THE HUB" which, according to the information provided, includes two sub-lots, namely D17 and D19, with a total site area of 62,299 sq m and developed into office, retail, hotel and performance centre development. The property comprises Office Tower Nos 1 to 3 and 5 of the Development and the area details are listed as follows:	Office portion of the property with a total gross floor area of approximately 86,482 sq m has been subject to various leases with the last term expiring on 30 November 2023 yielding a total monthly rental of approximately RMB16,970,000 exclusive of management fee whilst retail portion of the property with a total gross floor area of approximately 11,684 sq m has been subject to various leases with the last term expiring on 30 November 2023 yielding a total monthly rental of approximately RMB1,720,000 exclusive of management fee. The remaining office and retail portion of the property with a total gross floor area of approximately 3,815 sq m and 4,608 sq m respectively are vacant.	RMB4,982,400,000 (RENMINBI FOUR BILLION NINE HUNDRED EIGHTY TWO MILLION AND FOUR HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: RMB4,982,400,000)

Use	Gross Floor Area (sq m)
Office (Tower 1)	17,174
Office (Tower 2)	29,194
Office (Tower 3)	26,790
Office (Tower 5)	17,139
Retail (Tower 1)	1,366
Retail (Tower 2)	2,427
Retail (Tower 3)	467
Retail (Tower 5)	2,080
Retail (Basement)	9,798
Public facilities	1,961
Total:	108,396

The property also comprises 1,175 basement car parking spaces of the Development.

The land use right terms of the property have been granted for a term of 40 years for commercial and entertainment uses and 50 years for office and composite uses.

Notes:

1. Pursuant to the Business Licence No 310000400639713 (Shi Ju) dated 23 March 2011, Shanghai Rui Qiao Properties Co., Ltd. ("Rui Qiao") was incorporated with a registered capital of RMB3,900,000,000 for a valid period from 28 December 2010 to 27 December 2060 and the scope of business is to engage in development, construction, sale and lease of various properties within the granted lands.

2. Pursuant to two Shanghai Real Estate Ownership Certificates No Hu Fang Di Min Zi (2016) Di 042825 and Hu Fang Di Min Zi (2016) Di 042832 both issued by the Shanghai Planning, Land and Resources Administration Bureau dated 2 June 2016, the title to land (D17) with a site area of 29,664 sq m and buildings with a total gross floor area of 178,294.81 sq m is vested in Rui Qiao for terms of 40 years commencing from 29 April 2011 for commercial and entertainment uses and 50 years for office and composite uses.

3. Pursuant to two Shanghai Real Estate Ownership Certificates Nos Hu Fang Di Min Zi (2016) Di 042769 and Hu Fang Di Min Zi (2016) Di 042773 both issued by the Shanghai Planning, Land and Resources Administration Bureau dated 2 June 2016, the title to the land (D19) with a site area of 32,636 sq m and buildings with a total gross floor area of 200,314.27 sq m is vested in Rui Qiao for terms of 40 years commencing from 29 April 2011 for commercial and entertainment uses and 50 years for office and composite uses.

4. According to your specific terms of instruction to provide the breakdown of market value for 1,175 basement car parking spaces of the property, the aggregate market value of the aforesaid portion as at the valuation date was approximately RMB326,100,000 (Carpark (D17): RMB151,000,000, Carpark (D19): RMB175,100,000).

5. We have been provided with the Company's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Rui Qiao has been legally established;
   (ii) Rui Qiao is the sole owner of the property;
   (iii) portion of the property is subject to a mortgage;
   (iv) the property can be legally occupied, used or transferred by Rui Qiao subject to relevant laws and regulations and conditions stipulated in the mortgage contract; and
   (v) other than the mortgage as mentioned in note (5)(iii), the property is free from mortgages and other encumbrances.

<table>
<tr><th>No.</th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market Value in existing state as at 31 December 2018</th></tr>
<tr><td>7.</td><td>Shopping Mall of THE HUB
No. 900 Shenchang Road
Hongqiao Central Business District
Min Hang District
Shanghai
The PRC</td><td>Shanghai Hongqiao Central Business District sprawls over more than 86 sq km. The main functional area of Hongqiao Central Business District takes up 27 sq km - boarding Beidi Road in the north, Hu-Yu Expressway in the south, the Outer Ring Expressway in the east and the existing railway outer-ring in the west.

According to the information provided by Shanghai Hongqiao Central Business District, the first phase of the main functional area of Hongqiao Central Business District covers 1.43 sq km. The total build-up area has a plan of 1,700,000 sq m, which may allocate 57 percent for offices, 12 percent for retails, 5.5 percent for entertainment venues, 6.5 percent for hotels and 10 percent for exhibition spaces.

The development ("Development") comprises Lot 6 of Phase 1 of Hongqiao Central Business District named "THE HUB" which, according to the information provided, includes two sub-lots, namely D17 and D19, with a total site area of 62,299 sq m and developed into office, retail, hotel and performance centre development.

The property comprises a 6-storey plus two-storey basement shopping mall in D19 of the Development completed in 2014 and the area details are listed as follows:

Use — Gross Floor Area (sq m)
Retail — 91,081
Retail (Basement) — 34,210
Public facilities — 2,304
Total: — 127,595

The land use right terms of the property have been granted for a term of 40 years commencing from 29 April 2011 for commercial and entertainment uses and 50 years for office and composite uses.</td><td>Portion of the property with a total gross floor area of approximately 101,240 sq m has been subject to various leases with the last term expiring on 22 September 2033 yielding a total monthly rental of approximately RMB8,350,000 exclusive of management fee whilst the remaining portion of the property with a total gross floor area of approximately 3,731 sq m is vacant.</td><td>RMB3,064,000,000
(RENMINBI THREE BILLION AND SIXTY FOUR MILLION ONLY)

(100% interest attributable to the Group: RMB3,064,000,000)</td></tr>
</table>

Notes:

1. Pursuant to the Business Licence No 310000400639713 (Shi Ju) dated 23 March 2011, Shanghai Rui Qiao Properties Co., Ltd. ("Rui Qiao") was incorporated with a registered capital of RMB3,900,000,000 for a valid period from 28 December 2010 to 27 December 2060 and the scope of business is to engage in development, construction, sale and lease of various properties within the granted lands.

2. Pursuant to two Shanghai Real Estate Ownership Certificates Nos Hu Fang Di Min Zi (2016) Di 042769 and Hu Fang Di Min Zi (2016) Di 042773 both issued by the Shanghai Planning, Land and Resources Administration Bureau dated 2 June 2016, the title to the land (D19) with a site area of 32,636 sq m and buildings with a total gross floor area of 200,314.27 sq m is vested in Rui Qiao for terms of 40 years commencing from 29 April 2011 for commercial and entertainment uses and 50 years for office and composite uses.

3. We have been provided with the Company's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Rui Qiao has been legally established;
   (ii) Rui Qiao is the sole owner of the property;
   (iii) the property is subject to a mortgage;
   (iv) the property can be legally occupied, used or transferred by Rui Qiao subject to relevant laws and regulations and conditions stipulated in the mortgage contract; and
   (v) other than the mortgage as mentioned in note (3)(iii), the property is free from mortgages and other encumbrances.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2018
8.	Xintiandi of THE HUB No. 900 Shenchang Road Hongqiao Central Business District Min Hang District Shanghai The PRC	Shanghai Hongqiao Central Business District sprawls over more than 86 sq km. The main functional area of Hongqiao Central Business District takes up 27 sq km - boarding Beidi Road in the north, Hu-Yu Expressway in the south, the Outer Ring Expressway in the east and the existing railway outer-ring in the west. According to the information provided by Shanghai Hongqiao Central Business District, the first phase of the main functional area of Hongqiao Central Business District covers 1.43 sq km. The total build-up area has a plan of 1,700,000 sq m, which may allocate 57 percent for offices, 12 percent for retails, 5.5 percent for entertainment venues, 6.5 percent for hotels and 10 percent for exhibition spaces. The development ("Development") comprises Lot 6 of Phase 1 of Hongqiao Central Business District named "THE HUB" which, according to the information provided, includes two sub-lots, namely D17 and D19, with a total site area of 62,299 sq m and developed into office, retail, hotel and performance centre development. The property comprises four two-storey and 3-storey retail blocks in D17 of the Development named "Xintiandi" completed in 2014 and the area details are listed as follows: **Use** — **Gross Floor Area (sq m)** Retail — 5,562 Retail (Basement) — 6,742 Public facilities — 274 Total: — 12,578 The land use right terms of the property have been granted for a term of 40 years commencing from 29 April 2011 for commercial and entertainment uses and 50 years for office and composite uses.	Portion of the property with a total gross floor area of approximately 10,694 sq m has been subject to various leases with the last term expiring on 31 August 2025 yielding a total monthly rental of approximately RMB2,080,000 exclusive of management fee whilst the remaining portion of the property with a total gross floor area of approximately 1,007 sq m is vacant.	RMB576,000,000 (RENMINBI FIVE HUNDRED AND SEVENTY SIX MILLION ONLY) (100% interest attributable to the Group: RMB576,000,000)

Notes:

1. Pursuant to the Business Licence No 310000400639713 (Shi Ju) dated 23 March 2011, Shanghai Rui Qiao Properties Co., Ltd. ("Rui Qiao") was incorporated with a registered capital of RMB3,900,000,000 for a valid period from 28 December 2010 to 27 December 2060 and the scope of business is to engage in development, construction, sale and lease of various properties within the granted lands.

2. Pursuant to two Shanghai Real Estate Ownership Certificates No Hu Fang Di Min Zi (2016) Di 042825 and Hu Fang Di Min Zi (2016) Di 042832 both issued by the Shanghai Planning, Land and Resources Administration Bureau dated 2 June 2016, the title to land (D17) with a site area of 29,664 sq m and buildings with a total gross floor area of 178,294.81 sq m is vested in Rui Qiao for terms of 40 years commencing from 29 April 2011 for commercial and entertainment uses and 50 years for office and composite uses.

3. We have been provided with the Company's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Rui Qiao has been legally established;
   (ii) Rui Qiao is the sole owner of the property;
   (iii) the property can be legally occupied, used or transferred by Rui Qiao subject to relevant laws and regulations; and
   (iv) the property is free from mortgages and other encumbrances.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2018
9.	Performance Centre of THE HUB No. 900 Shenchang Road Hongqiao Central Business District Min Hang District Shanghai The PRC	Shanghai Hongqiao Central Business District sprawls over more than 86 sq km. The main functional area of Hongqiao Central Business District takes up 27 sq km - boarding Beidi Road in the north, Hu-Yu Expressway in the south, the Outer Ring Expressway in the east and the existing railway outer-ring in the west. According to the information provided by Shanghai Hongqiao Central Business District, the first phase of the main functional area of Hongqiao Central Business District covers 1.43 sq km. The total build-up area has a plan of 1,700,000 sq m, which may allocate 57 percent for offices, 12 percent for retails, 5.5 percent for entertainment venues, 6.5 percent for hotels and 10 percent for exhibition spaces. The development ("Development") comprises Lot 6 of Phase 1 of Hongqiao Central Business District named "THE HUB" which, according to the information provided, includes two sub-lots, namely D17 and D19, with a total site area of 62,299 sq m and developed into office, retail, hotel and performance centre development. The property comprises a performance centre in D19 of the Development with a total gross floor area of 19,125.87 sq m completed in about 2017. The land use right terms of the property have been granted for a term of 40 years commencing from 29 April 2011 for commercial and entertainment uses and 50 years for office and composite uses.	Portion of the property with a total gross floor area of approximately 9,599 sq m has been subject to a lease expiring on 15 September 2019 yielding a monthly base rental of approximately RMB476,000 exclusive of management fee whilst the remaining portion of the property with a total gross floor area of approximately 9,526 sq m is vacant.	RMB321,000,000 (RENMINBI THREE HUNDRED AND TWENTY ONE MILLION ONLY) (100% interest attributable to the Group: RMB321,000,000)

Notes:

1. Pursuant to the Business Licence No 310000400639713 (Shi Ju) dated 23 March 2011, Shanghai Rui Qiao Properties Co., Ltd. ("Rui Qiao") was incorporated with a registered capital of RMB3,900,000,000 for a valid period from 28 December 2010 to 27 December 2060 and the scope of business is to engage in development, construction, sale and lease of various properties within the granted lands.

2. Pursuant to two Shanghai Real Estate Ownership Certificates Nos Hu Fang Di Min Zi (2016) Di 042769 and Hu Fang Di Min Zi (2016) Di 042773 both issued by the Shanghai Planning, Land and Resources Administration Bureau dated 2 June 2016, the title to the land (D19) with a site area of 32,636 sq m and buildings with a total gross floor area of 200,314.27 sq m is vested in Rui Qiao for terms of 40 years commencing from 29 April 2011 for commercial and entertainment uses and 50 years for office and composite uses.

3. We have been provided with the Company's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Rui Qiao has been legally established;
   (ii) Rui Qiao is the sole owner of the property;
   (iii) the property is subject to a mortgage;
   (iv) the property can be legally occupied, used or transferred by Rui Qiao subject to relevant laws and regulations and conditions stipulated in the mortgage contract; and
   (v) other than the mortgage as mentioned in note (3)(iii), the property is free from mortgages and other encumbrances.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors and chief executive of the Company

At the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in the Shares and the underlying Shares of the Company

	Number of ordinary Shares			Interests in the underlying Shares		Approximate percentage of interests to the issued share capital of the Company at the Latest Practicable Date
Name of Directors	**Personal interests**	**Family interests**	**Other interests**	**Share options** *(Note 3)*	**Total**	*(Note 4)*
Mr. Vincent H. S. LO ("**Mr. LO**")	—	1,849,521 *(Note 1)*	4,611,835,751 *(Note 2)*	—	4,613,685,272	57.23%
Mr. Douglas H. H. SUNG	—	—	—	437,000	437,000	0.0054%
Ms. Stephanie B. Y. LO ("**Ms. LO**")	—	—	4,611,835,751 *(Note 2)*	437,000	4,612,272,751	57.21%
Sir John R. H. BOND	250,000	—	—	—	250,000	0.003%
Dr. William K. L. FUNG	5,511,456	—	—	—	5,511,456	0.06%
Professor Gary C. BIDDLE	305,381	—	—	—	305,381	0.0038%
Dr. Roger L. McCARTHY	200,000	—	—	—	200,000	0.002%

Notes:

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

(2) These Shares were held by Shui On Company Limited ("**SOCL**") through its controlled corporations, comprising 675,493,996 Shares, 1,477,888,889 Shares, 183,503,493 Shares, 29,847,937 Shares, 633,333,333 Shares, 908,448,322 Shares, 150,000,000 Shares, 323,319,781 Shares and 230,000,000 Shares held by Shui On Properties Limited ("**SOP**"), Shui On Investment Company Limited ("**SOI**"), Chester International Cayman Limited ("**Chester International**"), New Rainbow Investments Limited ("**NRI**"), Lanvic Limited ("**Lanvic**"), Boswell Limited ("**Boswell**"), Merchant Treasure Limited ("**Merchant Treasure**"), Doreturn Limited ("**Doreturn**") and Smart Will Investments Limited ("**Smart Will**") respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure, Doreturn and Smart Will were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited ("**SOCAM**") which in turn was held by SOCL as to 60.97%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("**Bosrich**"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. LO was the founder and a discretionary beneficiary, Ms. LO was a discretionary beneficiary and HSBC International Trustee Limited ("**HSBC Trustee**") was the trustee. Accordingly, Mr. LO, Mrs. LO, Ms. LO, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

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

(4) These percentages have been compiled based on the total number of issued shares (i.e. 8,062,216,324 Shares) of the Company at the Latest Practicable Date.

(b) Long position in the shares of the associated corporation — SOCAM

	Number of ordinary shares				
Name of Directors	**Personal interests**	**Family interests**	**Other Interests**	**Total**	**Approximate percentage of interests to the issued share capital** *(Note 3)*
Mr. LO	—	312,000 *(Note 1)*	234,381,000 *(Note 2)*	234,693,000	61.05%
Ms. LO	—	—	234,381,000 *(Note 2)*	234,381,000	60.97%
Mr. Frankie Y. L. WONG	3,928,000	—	—	3,928,000	1.02%

Notes:

(1) These shares were beneficially owned by Mrs. LO, the spouse of Mr. LO. Mr. LO was deemed to be interested in 312,000 shares under Part XV of the SFO.

(2) These shares comprised 232,148,000 shares beneficially owned by SOCL and 2,233,000 shares held by Shui On Finance Company Limited, an indirect wholly-owned subsidiary of SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. LO was the founder and a discretionary beneficiary, Ms. LO was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. LO, Mrs. LO, Ms. LO, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.

(3) These percentages have been compiled based on the total number of issued shares (i.e. 384,410,164 shares) at the Latest Practicable Date.

(c) Interests in the debentures of the associated corporation of the Company

Name of Director	**Name of Associated Corporation**	**Nature of Interests**	**Amount of Debentures**
Mr. LO	Shui On Development Limited ("**SODH**")	Founder and discretionary beneficiary of a trust	RMB50,000,000
		Family interests	RMB35,500,000
		Family interests	US$2,000,000
Mr. Douglas H. H. SUNG	SOCAM	Personal	US$200,000
Ms. LO	SODH	Discretionary beneficiary of a trust	RMB50,000,000

Save as disclosed herein, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

At the Latest Practicable Date, save as disclosed below, none of the Directors or the proposed Directors was a director or employee of a company which had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	**Names of companies which had such disclosable interest or short position**	**Position within such companies**
Mr. LO	SOCL, SOP, SOI, NRI and Boswell	Director
Ms. LO	SOCL, SOP and SOI	Director
Mr. Frankie Y. L. WONG	SOCL, SOP, SOI, NRI and Boswell	Director

3. SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had entered into, with any member of the Group, a service agreement which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. MATERIAL LITIGATION

At the Latest Practicable Date, there was no litigation or claim of material importance that is known to the Directors to be pending or threatened against any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

At the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was subsisting and was significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN ASSETS

At the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up).

7. COMPETING INTERESTS OF DIRECTORS

Mr. LO is an executive Director and the Chairman of the Company, as well as the ultimate controlling shareholder, chairman and chief executive officer of SOCL and its subsidiaries (excluding SOCAM and its subsidiaries) (the "**Shui On Group**"). The core businesses of the Shui On Group include property development and investment projects in Hong Kong and the PRC, as more fully described in the section headed "Relationship with the Shui On Group" of the Company's listing prospectus dated 20 September 2006 (the "**Listing Prospectus**"). The Company has entered into a deed of non-competition dated 30 May 2006 with SOCL and Mr. LO pursuant to which SOCL and Mr. LO have severally undertaken not to compete with the business of the Company. For more details, see the section headed "Relationship with the Shui On Group" of the Listing Prospectus. In addition, Mr. LO is also the chairman and controlling shareholder of SOCAM, which is engaged in property development in the PRC.

Saved as disclosed above, at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

8. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up).

9. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contract entered into in the ordinary course of business) within two years preceding the date of this circular:

(a) the transaction cooperation agreement (the "**Transaction Cooperation Agreement**") dated 26 May 2017 entered into among SODH, Grand Hope Limited, 萬科企業股份有限公司 (China Vanke Co., Ltd*), and 重慶錦瀾實業有限公司(Chongqing Jin Lan Industrial Co., Ltd.) in relation to the disposal of 79.2% of all equity interests in the 重慶瑞安天地房地產發展有限公司(Chongqing Shui On Tiandi Real Estate Development Company Limited), representing 79.2% of the interests in the partnership portfolio (as defined under the Transaction Cooperation Agreement), for a consideration of RMB4,133,000,000, subject to adjustment at the completion of the disposal, details of which were set out in the announcement of the Company dated 26 May 2017 and the circular of the Company dated 19 June 2017;

(b) the shareholders' agreement (the "**Shareholders' Agreement**") dated 9 August 2017 entered into among 上海盛甫企業管理諮詢有限公司(Shanghai Sheng Pu Enterprise Management Consulting Company Limited*) ("**Sheng Pu**"), 上海國泰君安證券資產管理有限公司(Shanghai Guotai Junan Securities Asset Management Company Limited*) (as the manager of 國君資管2091定向資產管理計劃 (Guojun Asset Management 2091 Oriented Asset Management Plan*)) ("**Guotai Junan**") and 上海虹房(集團)有限公司(Shanghai Hongfang (Group) Company Limited*) ("**Hongfang**") pursuant to which Sheng Pu, Guotai Junan and Hongfang have agreed to establish a joint venture company (the "**JV Company**") held as to 49% by Sheng Pu, 31% by Guotai Junan and 20% by Hongfang respectively, for the acquisition of 上海百麗房地產開發有限公司(Shanghai Baili Real Estate Development Company Limited*) ("**Shanghai Baili**") from the Company, and Sheng Pu shall provide capital contribution of RMB49,000,000 and additional funds of an amount up to approximately RMB2,226,050,000 to the JV Company; upon establishment of the JV Company, Top Faith Development Limited shall dispose of and the JV Company shall acquire the entire equity interest of Shanghai Baili at a cash consideration of RMB110,000,000; pursuant to the terms of the Shareholders' Agreement, Sheng Pu has granted to Guotai Junan a put option, a right of Guotai Junan to sell its entire equity interest in the JV Company to Sheng Pu at a cash consideration of RMB31,000,000, details of which were set out in the announcement of the Company dated 9 August 2017;

(c) the sale and purchase agreement dated 30 September 2017 entered into among SODH and Wisdom Forever Limited Partnership in relation to the disposal of 49% equity interest in Bright Power Enterprises Limited and Merry Wave Limited and the assignment of the shareholder loans of approximately RMB1,620,000,000 at the consideration of approximately RMB2,949,000,000 (subject to adjustment), details of which were set out in the announcement of the Company dated 30 September 2017;

(d) the sale and purchase agreement dated 14 November 2017 entered into among Innovate Zone Group Limited ("**Innovate Zone**"), SODH, Many Gain International Limited and Yida China Holdings Limited in relation to the disposal by Innovate Zone of 61.54% of the issued share capital of Richcoast Group Limited ("**Richcoast**"), the offshore loans and the assignable onshore debts, and the non-assignable onshore debts, for the total transaction amount, being approximately RMB3,160,000,000, details of which were set out in the announcement of the Company dated 14 November 2017 and the circular of the Company dated 5 December 2017;

(e) the letter of acceptance dated 14 December 2017 between 瑞安建築有限公司(Shui On Construction Co., Ltd.*) ("**SOCM**"), an indirect wholly-owned subsidiary of the Company, as main contractor and 江蘇九西建設發展有限公司 (Jiangsu Jiu Xi Development Co., Ltd.*) ("**Jiangsu Jiu Xi**"), an indirect wholly-owned subsidiary of SOCAM, as employer, pursuant to which Jiangsu Jiu Xi has confirmed the engagement of SOCM as the main contractor to carry out construction works, including (among others) foundation and main structural works, electrical and mechanical works, and interior fit-out works for Site C of a property development known as "Nanjing Scenic Villa" located in Jiangning District, Nanjing, the PRC at a total contract sum of approximately RMB34,930,000, details of which were set out in the announcement of the Company dated 14 December 2017;

(f) the investment framework agreement (the "**Investment Framework Agreement**") dated 19 December 2017 entered into among SODH, Hollyfield Holdings Limited ("**Hollyfield**"), 上海丸晟實業合夥企業(有限合夥) ("**China Life Fund**") and 上海瑞虹新城有限公司 (Shanghai Rui Hong Xin Cheng Co., Ltd.*) ("**Project Company**") in relation to, among other things, the disposal of 21.4% of the entire equity interests in the Project Company representing 49.5% of the interests in the partnership portfolio (as defined under the Investment Framework Agreement) at an initial consideration amount of RMB3,869,000,000 (subject to adjustment), details of which were set out in the announcement of the Company dated 19 December 2017 and the circular of the Company dated 29 December 2017;

(g) the sale and purchase agreement dated 20 December 2017 entered into between 建發房地產集團有限公司(C&D Real Estate Corporation Limited*) and 上海澤辰房地產經營有限公司(Shanghai Ze Chen Real Estate Co., Limited*), an indirect wholly-owned subsidiary of the Company, in relation to the acquisition of the entire equity interests in and the shareholder's loans to上海新灣景置業有限公司 (Shanghai Xin Wan Jing Property Limited*) at a price of approximately RMB1,144,300,000 (subject to adjustment), details of which were set out in the announcement of the Company dated 20 December 2017;

(h) the joint venture agreement (the "**6 March 2018 Joint Venture Agreement**") dated 6 March 2018 entered into between Shanghai Panrui Investment Management Co., Ltd.* (上海磐鋭投資管理有限 公司) ("**Shanghai Panrui**"), and Founder Securities Co., Ltd.* (方正證券股份有限公司) (the "**JV Partner**"), in relation to the establishment of Shanghai Panxing Management and Consultancy Co., Ltd.* (上海磐興管理諮詢有限公司) ("**Shanghai Panxing**") held as to 49% by Shanghai Panrui and 51% by the JV Partner, and the initial capital contribution of RMB2,401,000 will be satisfied by Shanghai Panrui;

pursuant to the terms of the 6 March 2018 Joint Venture Agreement, the JV Partner has granted to Shanghai Panrui an option, pursuant to which Shanghai Panrui may at its discretion to oblige the JV Partner to sell its entire equity interest in Shanghai Panxing to Shanghai Panrui or its designated associate(s), details of which were set out in the announcement of the Company dated 6 March 2018;

(i) the investment framework agreement (the "**Investment Framework Agreement**") dated 26 June 2018 entered into among SODH, Rainbow Yield Investments Limited ("**Rainbow Yield**"), Joy City Property Limited and Hill Bloom Limited ("**Hill Bloom**") in relation to, among other things, the disposal of 50% of the entire equity interests in Colour Bridge Holdings Limited ("**Color Bridge**") by Rainbow Yield to Hill Bloom, representing 49.5% of the interests in the partnership portfolio (as defined in the Investment Framework Agreement) at an initial consideration amount of RMB4,589,175,222 (subject to adjustment) and the grant of a put option by Rainbow Yield to Hill Bloom with which Hill Bloom may request that all (but not part) of its shares in and shareholder loans provided to Colour Bridge be transferred to Rainbow Yield upon satisfaction of certain criteria at a consideration to be determined with reference to the then net asset value attributable to shareholders of Colour Bridge, details of which were set out in the announcement of the Company dated 26 June 2018 and the circular of the Company dated 18 July 2018;

(j) the joint venture agreement dated 5 July 2018 entered into between China Pacific Life Insurance Company Limited ("**CPIC Life**"), SODH and Shanghai Yongye Enterprise (Group) Company Limited ("**SHYY**"), in relation to the formation and the management of the joint venture company owned as to 70% by CPIC Life, 25% by SODH and 5% by SHYY, for the carrying out of property development project at land parcel no. 123, 124 and 132 situated at Huangpu District, Shanghai, the PRC, details of which were set out in the announcement of the Company dated 5 July 2018 and the circular of the Company dated 26 July 2018;

(k) the Sale and Purchase Agreement;

(l) the framework agreement (the "**Framework Agreement**") dated 29 December 2018 entered into between Ally Victory Limited, Oasis Power Management Limited, certain wholly-owned subsidiaries of Manulife Financial Corporation and China Life Trustees Limited (collectively, the "**Investors**") in relation to the formation of a joint venture to engage in the investment in properties in the PRC and the management and administration of such properties (the "**Joint Venture**"), details of which were set out in the announcement of the Company dated 31 December 2018; and

(m) the shareholders deed dated 29 December 2018 entered into between the Investors, SODH and a joint venture company (which has been established by the Joint Venture to invest in an office building in Huangpu District, Shanghai, the PRC known as Corporate Avenue 5) (the "**JV Company**") in relation to the JV Company, details of which were set out in the announcement of the Company dated 31 December 2018.

* *For identification purpose only*

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have provided opinions and advice referred to or contained in this circular:

Name	Qualification
Knight Frank Petty Limited	Professional surveyor and valuer
Deloitte Touche Tohmatsu	Certified public accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or references to its name in the form and context in which they respectively appear.

11. EXPERTS' INTEREST

Each of the above experts has confirmed that at the Latest Practicable Date:

(a) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

(b) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up).

12. GENERAL

(a) The registered office of the Company is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is at 34th Floor, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong.

(c) The principal share registrar and transfer office of the Company is SMP Partners (Cayman) Limited, Royal Bank House - 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(e) The company secretary of the Company is Mr. UY Kim Lun, a qualified lawyer in Hong Kong.

(f) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 34th Floor, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong from the date of this circular and up to and including the date which is 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the accountant's report of CXTD as set out in Appendix II to this circular;

(c) the valuation report of CXTD at 31 December 2018, the text of which is set out in Appendix V to this circular;

(d) the written consents referred to in the section headed "Experts and Consents" in this appendix;

(e) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(f) the annual reports of the Company for the years ended 31 December 2015, 31 December 2016 and 31 December 2017;

(g) the interim report of the Company for the six months ended 30 June 2018;

(h) the circulars of the Company dated 18 July 2018 and 26 July 2018; and

(i) this circular.