

ANNUAL REPORT 2013

INNOVATION
SYNERGY

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 地產拓新二十年
香港上市十周年
INNOVATION · SYNERGY



首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

Stock Code : 2868



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Liu Xiaoguang (*Chairman*)
Mr. Tang Jun (*President*)
Mr. Zhang Juxing

Non-Executive Directors

Mr. Wang Hao
Mr. Shen Jianping
Mr. Zhang Shengli

Independent Non-Executive Directors

Mr. Li Zhaojie
Mr. Ng Yuk Keung
Mr. Wang Hong

AUDIT COMMITTEE

Mr. Ng Yuk Keung (*Chairman*)
Mr. Li Zhaojie
Mr. Wang Hong

REMUNERATION COMMITTEE

Mr. Li Zhaojie (*Chairman*)
Mr. Wang Hao
Mr. Ng Yuk Keung

NOMINATION COMMITTEE

Mr. Liu Xiaoguang (*Chairman*)
Mr. Li Zhaojie
Mr. Ng Yuk Keung

STRATEGIC COMMITTEE

Mr. Liu Xiaoguang (*Chairman*)
Mr. Tang Jun
Mr. Wang Hong

SUPERVISORS

Mr. Liu Yongzheng
Mr. Fan Shubin
Mr. Jiang Hebin

SECRETARY OF THE BOARD OF DIRECTORS

Mr. Hu Weimin

COMPANY SECRETARY

Mr. Lee Sing Yeung, Simon

AUTHORISED REPRESENTATIVES

Mr. Tang Jun
Mr. Lee Sing Yeung, Simon

REGISTERED OFFICE

Room 501, No.1,
Yingbinzhong Road,
Huairou District,
Beijing, PRC

BEIJING HEADQUARTERS

F17, Red Goldage,
No. 2, Guang Ning Bo Street,
Beijing, PRC

HONG KONG OFFICE

Suites 2906-08, AIA Central,
1 Connaught Road Central, Hong Kong

WEBSITE

<http://www.bjcapitaland.com>

AUDITORS

PricewaterhouseCoopers Zhong Tian LLP

PRINCIPAL BANKERS

China Development Bank
China Construction Bank
Bank of Communications
Agricultural Bank of China
China Merchants Bank
Industrial and Commercial Bank of China
Bank of China

LISTING INFORMATION

STOCK CODE FOR H SHARE

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

BOARD LOT SIZE

H Share	2,000
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H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai
Hong Kong
Telephone: (852) 2862 8628
Fax: (852) 2529 6087

INVESTOR RELATIONS CONTACT

Email address: ir@bjcapitaland.com.cn

H SHARE INFORMATION

	Year 2013			Year 2012		
	High (HK\$)	Low (HK\$)	Total Trading Volume (No. of Shares)	High (HK\$)	Low (HK\$)	Total Trading Volume (No. of Shares)
First Quarter	3.81	2.80	260,124,851	2.46	1.42	413,758,870
Second Quarter	3.54	2.70	281,246,634	2.46	1.71	221,154,508
Third Quarter	3.09	2.68	138,576,215	2.57	1.90	152,380,670
Fourth Quarter	2.85	2.55	103,237,824	3.28	2.15	225,604,311

Closing share price as at 31 December 2009: HK\$3.50.

Closing share price as at 31 December 2010: HK\$2.60.

Closing share price as at 30 December 2011: HK\$1.53.

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

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

FINANCIAL HIGHLIGHTS

FIVE YEAR FINANCIAL SUMMARY ^{NOTE 1}

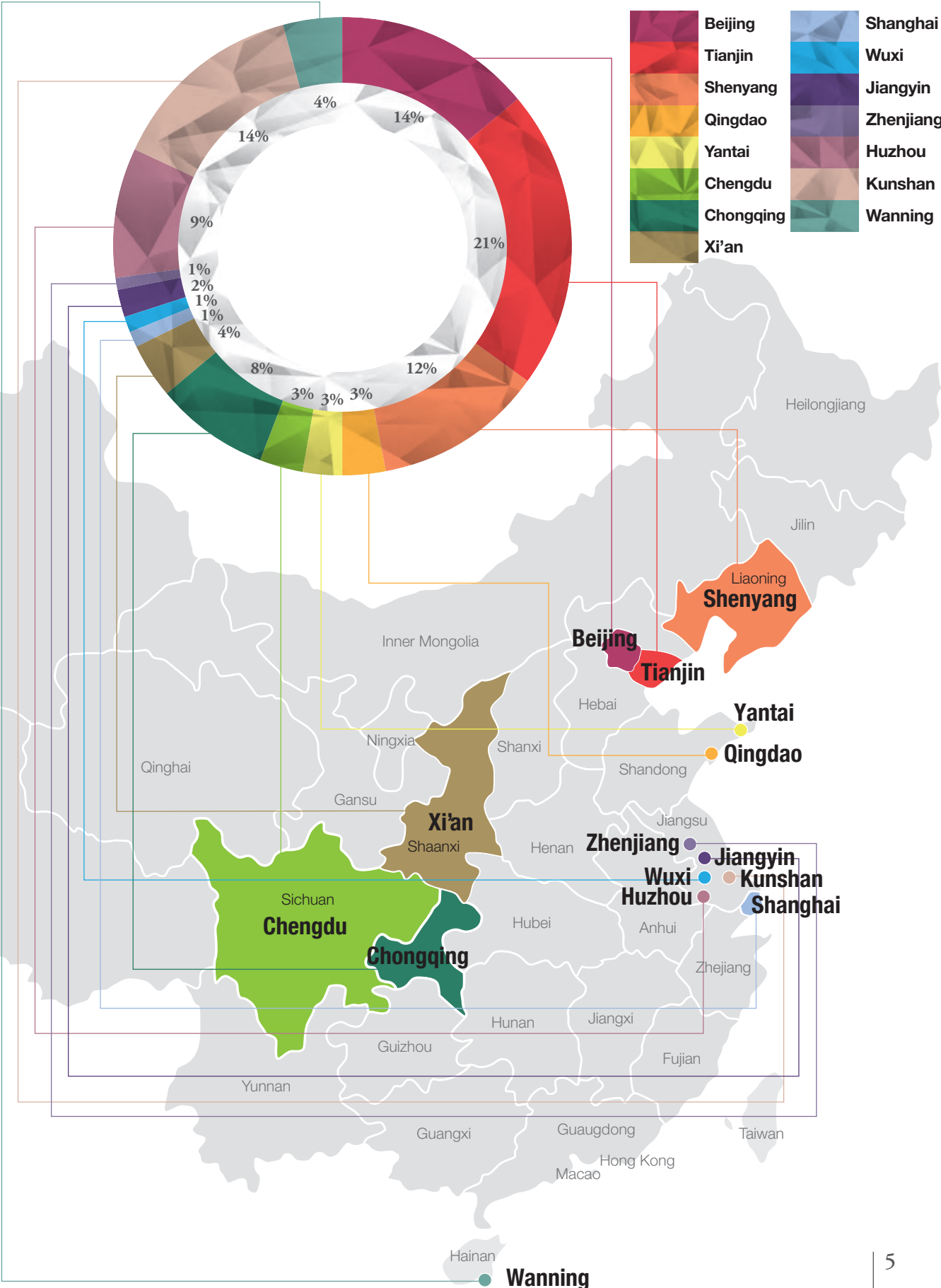
(in RMB'000 unless otherwise stated)

Year ended 31 December	2013 ^{Note 2}	2012 ^{Note 2}	2011 ^{Note 2} (Restated)	2010 ^{Note 2}	2009 ^{Note 3}
Revenue	11,320,840	9,134,054	7,523,321	6,493,795	5,393,150
Total profit	2,624,192	1,898,986	1,679,407	1,436,156	1,510,295
Income tax expenses	(710,469)	(565,323)	(455,852)	(375,231)	(622,005)
Net profit	1,913,723	1,333,663	1,223,555	1,060,925	888,290
Attributable to:					
Equity holders of the Company	1,522,006	1,110,925	998,578	918,155	538,435
Minority interests	391,717	222,738	224,977	142,770	349,855
	1,913,723	1,333,663	1,223,555	1,060,925	888,290
As at 31 December	2013	2012	2011	2010	2009
Total assets	56,190,688	47,536,488	37,794,202	30,513,787	22,421,735
Total liabilities	39,962,204	37,533,477	29,482,884	22,883,841	15,744,990
Net assets	16,228,484	10,003,011	8,311,318	7,629,946	6,676,745

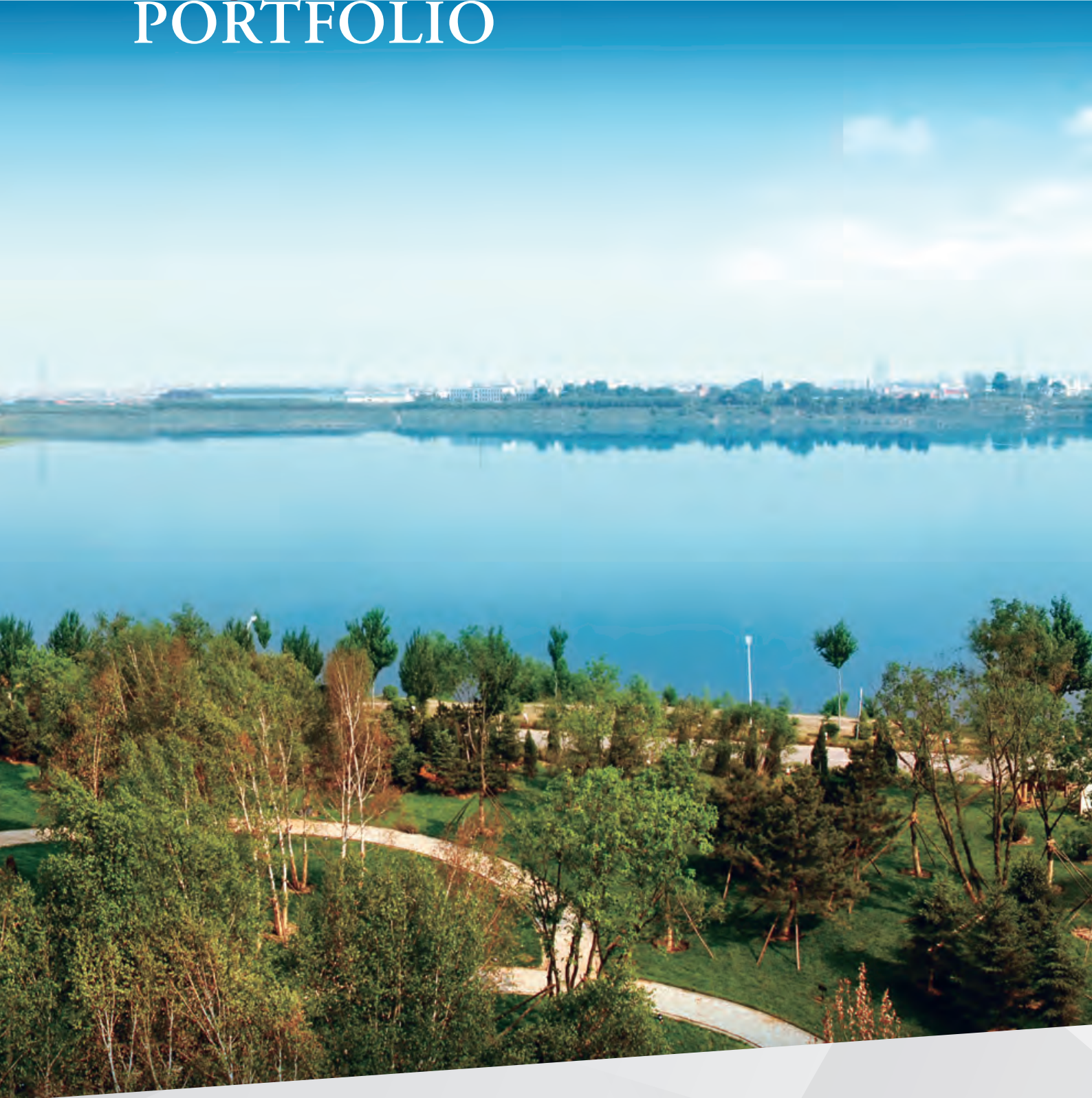
Note:

1. The table summarises the results, assets and liabilities of the Group.
2. The figures presented is prepared in accordance with Accounting Standards for Business Enterprises or CAS of PRC.
3. The figures presented is prepared in accordance with Hong Kong Financial Reporting Standards.

PROPERTY PORTFOLIO



PROPERTY PORTFOLIO





PROPERTY PORTFOLIO

HOTEL PROPERTY

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq.m.)	Approximate GFA to be sold (sq.m.)	Approximate Site Area to be Sold (sq.m.)	Expected/Achieved Completion (year)
1	Holiday Inn Central Plaza	Xicheng District, Beijing	Hotel	100%	7,177	50,712	50,712	Completed
2	InterContinental Financial Street Beijing	Xicheng District, Beijing	Hotel	34%	10,658	58,161	42,900	Completed

INVESTMENT PROPERTY

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq.m.)	Approximate GFA to be sold (sq.m.)	Approximate Site Area to be Sold (sq.m.)	Expected/Achieved Completion (year)
3	Beijing Integrated Outlets Project	Fangshan District, Beijing	Commercial	100%	95,652	170,651	130,751	
	First phase					108,036	68,136	Completed
	Second phase					62,615	62,615	2015
4	Huzhou Integrated Outlets Project	Taihu National Tourism and Holiday Zone, Jiangsu	Commercial	100%	302,713	185,146	175,400	
						97,542	97,542	Completed
						87,604	77,858	2015
5	Hainan Integrated Outlets Project	Wanning District, Hainan	Commercial	55%	199,807	103,180	100,879	Completed
6	Kunshan Integrated Outlets Project	Kunshan, Jiangsu	Commercial	100%	93,562	101,300	101,300	
7	Xi'an Integrated Outlets Project	Economic & Technological Development Zone, Xi'an, Shannxi Province	Commercial	40%	27,343	50,000	50,000	
						50,000	50,000	2015
8	Sunshine Building	Xicheng District, Beijing	Commercial/Office	35%	8,840	52,095	34,163	Completed

PROPERTY PORTFOLIO

PROPERTY DEVELOPMENT

No.	Project	Project name	Location	Type	Attributable Interest	Approximate Site Area (sq.m.)	Approximate GFA to be sold (sq.m.)	Approximate Site Area to be Sold (sq.m.)	Expected/Achieved Completion (year)
9	Beijing Yuyuantan Project	The Reflections	Haidian District, Beijing	Residential	100%	17,900	8,821	8,539	Completed
10	Beijing Hujialou Project	Xanadu	Changyang District, Beijing	Residential/Commercial	100%	86,300	32,492	23,175	Completed
11	Beijing Huang Xin Zhuang Project	Ealing	Fangshan District, Beijing	Residential	95%	175,489	249,720	244,894	2015
							109,711	104,885	2016
							140,009	140,009	2016
12	Beijing Miyun Yun Feng Yuan Zhuang Project	Beijing Landscape Villa	Miyun District, Beijing	Residential	100%	393,664	165,133	153,676	Completed
							30,835	30,835	2014
							43,405	31,948	-
							90,893	90,893	-
13	Beijing Changyang Town Project	Ballet Town	Fangshan District, Beijing	Residential	100%	137,684	15,867	6,177	Completed
							10,432	742	2015
							5,435	5,435	2015
14	Beijing Changyang Land No.4 Project	Novotown	Fangshan District, Beijing	Residential	16.4%	90,389	69,087	66,656	2014
							3,134	703	2015
							65,953	65,953	2015
15	Lize Financial Business District Project		Fengtai District, Beijing	Commercial/Office/Apartment		45,211	449,293	384,648	2017
		F02			68.5%		179,518	152,268	2017
		F03			100%		184,025	162,380	2017
		F05			100%		85,750	70,000	2017
16	Beijing Daxing Village Project		Daxing District, Beijing	Residential	100%	99,000	129,338	110,721	2016
17	Tianjin Banshan Project	Tianjin First City	Tanggu District, Tianjin	Residential/Commercial	55%	233,336	29,591	6,957	Completed
18	Tianjin Huaming Project	Noble City	Dongli District, Tianjin	Residential/Commercial	40%	271,800	100,488	100,488	2014
							29,688	29,688	2016
							70,800	70,800	2016

PROPERTY PORTFOLIO

No.	Project	Project name	Location	Type	Attributable Interest	Approximate Site Area (sq.m.)	Approximate GFA to be sold (sq.m.)	Approximate Site Area to be Sold (sq.m.)	Expected/Achieved Completion (year)
19	Tianjin Xiqing Project	Landing House	Xiqing District, Tianjin	Residential/Office	40%	151,600	28,845	28,845	Completed
20	Tianjin Shuangang 121 Project	Fortune Class	Jinnan District, Tianjin	Residential/Commercial	55%	255,000	112,301	112,301	2015
21	Tianjin Shuangang 122 Project	Tianjin - A-Z Town	Jinnan District, Tianjin	Residential	55%	183,500	68,817	45,983	
							33,132	10,298	Completed
							35,685	35,685	2014
22	Tianjin Wuqing Project	International Peninsula	Wuqing District, Tianjin	Residential/Commercial/Office/Hotel	100%	791,793	703,733	692,897	
							38,952	38,952	Completed
							29,713	29,713	2014
							100,572	100,572	2015
							378,950	378,950	2016
							155,546	144,710	-
23	Tianjin Mangrove Bay	Mangrove Bay	Binhai New District, Tianjin	Residential	100%	53,845	23,644	23,644	Completed
24	Tianjin Eco-city Project	Cambridge County	Binhai New District, Tianjin	Residential	100%	117,229	157,285	105,880	
							95,241	60,463	2015
							62,044	45,417	2016
25	Tianjin Hongni River Project	Tianjin Eco Village	Jinnan District, Tianjin	Residential/Commercial	16.4%	257,091	587,762	477,762	
							76,141	76,141	2015
							511,621	401,621	2016
26	Tianjin Lishuang Road Project		Jinnan District, Tianjin	Residential	100%	108,343	242,080	198,370	
							179,100	152,370	2016
							62,980	46,000	-
27	Shenyang Shenyang Road Project	Shenyang First City	Hunnan New District, Shenyang, Liaoning Province	Residential/Commercial	30%	145,800	112,370	69,763	2014
28	Shenyang Yinhe Wan Project	Qipan Hills First Villa	Qi Pan Shan District, Shenyang, Liaoning Province	Residential/Commercial	50%	471,400	471,063	427,342	
							12,439	12,439	Completed
							79,844	79,844	2015
							378,780	335,059	-

PROPERTY PORTFOLIO

No.	Project	Project name	Location	Type	Attributable Interest	Approximate Site Area (sq.m.)	Approximate GFA to be sold (sq.m.)	Approximate Site Area to be Sold (sq.m.)	Expected/Achieved Completion (year)
29	Shenyang Shenzhong Street Project	Shenyang Eco Village	Hunnan New District, Shenyang, Liaoning Province	Residential/ Commercial/ Office/	100%	194,248	637,004	547,732	
							115,337	94,093	2015
							96,922	85,000	2016
						424,745	368,639	-	
30	Chengdu Shengli Village Project	Chengdu First City	Chenghua District, Chengdu, Sichuan Province	Residential/ Office	100%	78,200	31,263	15,694	Completed
31	Chengdu Beiwan Road Project	Cittá Villa	Longquanyi District, Chengdu, Sichuan Province	Residential/ Commercial/ Office/	55%	75,000	70,129	6,699	Completed
32	Chengdu SCE Project	Wanjuanshan	Longquanyi District, Chengdu, Sichuan Province	Residential/ Commercial/ Office/	55%	106,800	181,543	78,952	
							25,781	0	Completed
							155,762	78,952	2014
33	Xi'an Feng-cheng Road Project	Xi'an First City	Xi'an Economic and Technology Development Zone, Shannxi Province	Residential/ Commercial/ Office/Hotel Apartment	40%	328,057	356,345	205,283	
							24,380	4,500	Completed
							133,993	35,721	2014
						197,972	165,062	2015	
34	Chongqing Hongensi Project	Hong'en International Living District	Jiangbei District, Chongqing	Residential/ Commercial	50%	229,300	376,663	242,603	
							76,725	19,496	Completed
							166,742	114,695	2014
						133,196	108,412	2015	
35	Chongqing Xiyong Project	Chongqing - Eco Village	Shapingba District, Chongqing	Residential/ Commercial	28.24%	146,391	401,712	299,567	
							170,843	111,903	2015
							230,869	187,664	2016
36	Shanghai Songjiang Project		Songjiang District, Shanghai	Residential/ Commercial	100%	65,239	149,102	124,597	2015
37	Wuxi Dongting Town Project	Gentle House	Xishan District, Wuxi, Jiangsu Province	Residential/ Commercial	100%	163,000	35,865	22,972	Completed
38	Wuxi Jichang Road Project	Joyous House	Wuxi New District, Jiangsu Province	Residential/ Commercial	100%	96,600	55,907	36,680	Completed

PROPERTY PORTFOLIO

No.	Project	Project name	Location	Type	Attributable Interest	Approximate Site Area (sq.m.)	Approximate GFA to be sold (sq.m.)	Approximate Site Area to be Sold (sq.m.)	Expected/Achieved Completion (year)
39	Zhejiang Huzhou Taihu Project	Huzhou Integrated Outlets Project	Taihu Tourist Resort, Huzhou, Jiangsu Province	Residential/ Commercial/ Hotel	100%	580,973	648,554	598,466	
							260,404	245,204	2014
							98,178	91,213	2014
							235,879	211,904	2015
						54,093	50,145	-	
40	Huzhou Ren Huang Shan Project	Joyous House	Ren Huang Shan District, Huzhou, Jiangsu Province	Residential	55%	53,864	49,293	40,045	2014
41	Zhenjiang National University Science Park Project	Joyous House	Zhenjiang Technological Development Zone, Jiangsu Province	Residential/ Commercial	100%	114,493	135,153	135,153	
							24,403	24,403	Completed
							110,750	110,750	2015
42	Jiangsu Jiangyin Yuyue Project	Auspicious House	Yushan Bay, Jiangyin, Jiangsu Province	Residential/ Commercial	100%	78,258	166,419	147,834	
							44,101	35,141	Completed
							122,318	112,693	2016
43	Kunshan Jinxi Project	Kunshan Eastern Mystery	Jinxi Town, Kunshan City, Jiangsu Province	Residential/ Commercial/ Hotel/Office	51%	550,037	357,172	357,172	
							57,808	57,808	2014
							54,574	54,574	2016
							244,790	244,790	-
44	Kunshan Integrated Outlets Project	Kunshan Integrated Outlets Project	New Town, Kunshan District, Jiangsu Province	Residential/ Commercial	100%	354,383	921,642	740,314	
							226,537	180,634	2015
							387,057	299,810	2016
							308,048	259,870	-
45	Hainan Wanning Project	Hainan Integrated Outlets Project	Liji Town, Wanning, Hainan Province	Residential/ Commercial/ Hotel Apartment	55%	486,601	268,883	268,883	
							11,519	11,519	Completed
							46,174	46,174	2014
							73,200	73,200	2016
							137,990	137,990	-

PROPERTY PORTFOLIO

No.	Project	Project name	Location	Type	Attributable Interest	Approximate Site Area (sq.m.)	Approximate GFA to be sold (sq.m.)	Approximate Site Area to be Sold (sq.m.)	Expected/Achieved Completion (year)		
46	Qingdao Central Park No. 1 Project	Qingdao Central Park No. 1	Chengyang District, Qingdao, Shandong Province	Residential	100%	81,016	32,876	24,514			
									7,769	3,348	Completed
									1,978	1,978	2015
									23,129	19,188	2016
47	Qingdao Qianqianshu Project	Sunny Xiangmi Lake	Licang District, Qingdao, Shandong Province	Residential/Commercial	100%	96,695	36,847	36,847			
									3,529	3,529	Completed
									33,318	33,318	2015
48	Qingdao Yangbuzhai Project		Chengyang District, Qingdao Shandong Province	Residential	100%	41,450	57,227	57,227	2015		
49	Yantai Sunny Chief Yard Project	Sunny Chief Yard	Fushan District, Yantai, Shandong Province	Residential	100%	195,609	310,816	310,816			
									8,553	8,553	Completed
									18,275	18,275	2014
									122,320	122,320	2015
								161,668	161,668	2016	
50	Qingdao Chengyang Project	Airport International Centre	Qingdao, Shandong Province	Commercial/Office	100%	92,455	136,954	136,954			
									31,368	31,368	Completed
									105,586	105,586	2014
Total							9,946,344	8,409,827			

Note :

- Information stated in table updated as at 31 December 2013.
- Approximate site area is based on the newly obtained land use right certificates or land transfer agreements for all projects.
- Approximate GFA is based on actual measurement upon completion of construction of the completed properties.
- Approximate GFA to be sold for properties under development refers to GFA where contract was yet to be signed and is based on the latest obtained documents or the Company's latest planning.
- Approximate site area to be sold for properties under development refers to the saleable site area where contract has yet to be signed and is based on the latest obtained documents or the Company's latest planning.

CORPORATE MILESTONES DURING THE YEAR

The company successfully won tender to develop commercial property on 3 plots of land in the center of Lize financial business district, located near the west side of the second ring road in Beijing. It will be a large-scale mixed-use urban complex built above a metro station for various business purposes such as offices, commercial buildings, hotels and apartments.

Beijing BCL Outlets Integrated Project was officially launched for operation, attracting more than 100,000 visitors on the debut day, and generating nearly RMB8 million in retail sales. The project shows a clear success within the Company's "Residence + Outlets" business line, and enhance the company's competitive strengths in Outlets operation. During the same month, building on the successful launch of this project, which also served to raise the value to the surrounding areas, the second phase of Beijing Novotown's residential properties enjoyed high popularity when opened for sale, and recorded an annual sales close to RMB1.3 billion.

JANUARY
2013

MARCH

MAY

AUGUST

The Company took advantage of favorable market conditions to successfully issue US\$400 million senior perpetual capital securities. BCL is the first H share company in the property sector to issue offshore US dollar denominated senior perpetual capital securities.

The Company held its 10-year anniversary ceremony at the Grand Hyatt, Wanchai, Hong Kong, to express gratitude for the great support BCL received from all stakeholders. Over 100 guests attended, including investors, cooperative partners, major financial institutions, and the Company's management team.

CORPORATE MILESTONES DURING THE YEAR

Eco Village, an all new type of product, was launched simultaneously in 3 cities, Tianjin, Chongqing and Shenyang, achieving favorable brand reputation with a pleasant sales performance close to RMB8 million.

The No.4 to No.6 plots in the primary Tianjin Wuqing development zone were successfully listed and transferred at a price of RMB500 million, representing a premium of 134%. While achieving satisfactory results from this primary development project, the second phase of the Tianjin International Peninsula projects also significantly benefited as the development of the surrounding region within 3 square meters diagram was enhanced by the positive effect.

The Company won tender for a plot on Fangsong Street, Songjiang District in Shanghai, the Company's first land plot in Shanghai, marking a breakthrough of expanding its footprint into the Yangtze River Delta.

In accordance with government policies, the Company successfully obtained a plot of land in Suncun in the Daxing District of Beijing, and its development will focus on owner-occupied commodity housing and housing with limited price and limited habitable area, to meet owner-occupier demands, which marks the Company's first entry into the development of government subsidized housing.

The trial operation of Huzhou Outlets integrated project attracted 40,000 visitors on the first day, marking a successful debut of BCL's Outlets projects in Yangtze River Delta region.

SEPTEMBER — OCTOBER — NOVEMBER — DECEMBER

The Company provided full support to 2013 Beijing International Triathlon as its chief cooperative partner and sponsor, which contributed to the success of the event. BCL Team won the championship in the corporate category.

The Group raised RMB2 billion from China Life Insurance through a debt investment plan. China Life is one of the largest institutional investors in the domestic capital market, as well as an important player in monetary market. This successful cooperation set a precedent for other companies to attract investments from insurance companies.

The Company acquired Juda international Holdings Limited (stock code: 1329), a red chip listing company on the main board of the Hong Kong Stock Exchange. The acquisition is expected to be a valued addition to the Company's overseas listing platform.

MAJOR AWARDS OF THE YEAR – AT A GLANCE

Date	Award	Award Granting Institution
January 2013	Most Influential Brand in China	China New Vision of Real Estate Summit, www.house.focus.cn
January 2013	2013 Most Influential Real Estate company in China	2013 the 13th China Real Estate Industry Development Annual Conference
June 2013	2013 Top 10 domestic Real Estate Enterprises listed in HK with strongest fortune making ability	Research Group of Top 10 within China's Real Estate Industry
June 2013	2013 China Blue Chip Real Estate	The Economic Observer



MAJOR AWARDS OF THE YEAR – AT A GLANCE

Date	Award	Award Granting Institution
July 2013	Golden Brick Award for Real Estate of China – Award for BCL's splendid achievements	Selection committee of Golden Brick Award for Real Estate of China, BOAO 21'st Century Real Estate Forum, and 21'st Century Business Herald
September 2013	2013 TOP10 Chinese Real Estate Enterprises in terms of Brand Value	Enterprise Institute of Development Research Center of the State Council, Real Estate Institute of Tsinghua University, and China Index Academy
December 2013	2013 The annual ranking of Chinese Real Estate Enterprises with Most Growth Potential from Innovation	House.china.com.cn



CHAIRMAN'S STATEMENT





CHAIRMAN'S STATEMENT



The Group will remain committed to integrating its operations, differentiating the business from the competition, further strengthening its focus on traditional core regions and businesses, and following the new five year strategic plan.

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Beijing Capital Land Ltd. ("BCL" or the "Company"; together with its subsidiaries, the "Group"), I am pleased to present the Group's annual results for the year ended 31 December 2013.

In 2013, the global economy continued to experience a slow recovery from the financial crisis. In the US, the economy continued to pick up and the Federal Reserve took its first steps to ease back on its third round of quantitative easing ("QE3"). Meanwhile, the economy in the European Union rebounded from its bottom and showed signs of recovery from negative growth and emerging markets and other developing countries maintained a relatively rapid rate of growth. While the overall growth rate slowed to some extent, it still remained much higher than most developed countries.

In China, the country remained on track for steady economic development. Most economic indicators during the year continued to remain positive, easing worries about a deepening economic downturn. The Third Plenary Session of the 18th Central Committee of China's Communist Party issued development guidance to "comprehensively push through/deepen reforms" and presented a series of practical measures that are expected to be rolled out. These measures are largely viewed as a positive signal for the ongoing support of comprehensive development in China. In addition, policies stated in the report of the Third Plenary of the 18th Central Committee of China's Communist Party addressed many of the in-depth issues related to the property sector, including the need to roll out reforms for rural land transfer, press ahead with urbanization, bring forward legislation for property tax reform, and establish sustainable policies to enable healthy development of the sector.

The property sector maintained a rapid pace of growth in 2013. The transaction volumes and prices rose for both land and residential markets due to strong demand in first and second tier cities while the property market remained segmented by the sluggish growth in medium and smaller-sized cities as a whole. Leading companies in the sector mostly followed market trends and policy requirements and flexibly adjusted their

CHAIRMAN'S STATEMENT

operating strategies by focusing on residential property. Strong demand for residential property from owner-occupier buyers and rapid turnover helped the leading property developers maintain faster growth in their operating results. All of these factors strongly facilitated the healthy and stable development of the sector, and further enhanced sector concentration. Property developers are expected to continue to enhance their overall operational capabilities to capture new opportunities brought about by urbanization, and retain their core competitiveness in the highly competitive and rapidly consolidating market.

2013 was a critical year in the Group's strategic development. The Group appointed McKinsey to thoroughly review the Company's businesses and management, and together, BCL and McKinsey jointly developed a strategic five year plan. The strategy will focus on the development of the Group's three main business lines, namely traditional residential property, "Residential + Integrated Outlets", and Urban Core Complex. Moreover, a comprehensive strategy was established for each individual business line and the Company introduced innovative measures to enhance its management and incentive schemes in an effort to maximize both operational flexibility and employee morale, while also supporting overall business growth.

The Group's strategy of acquiring new land bank during the year has primarily been "focus on core regions". The Group acquired new high quality plots of land in Beijing, Tianjin, Shanghai and Chongqing. Investments in Beijing and Tianjin accounted for 77% of total new land bank, further enhancing the Group's land reserves in its core region. The Group also successfully entered the Shanghai market as part of its strategy to expand in the Yangtze River Delta. In terms of business lines, the Group has been making progress in developing its 3 core business lines: "Residential Properties", "Residence + Outlets Complex", and "Urban Core Complex". The Group has also added an innovative supplement to these business lines with its "primary land development business". For the "Residential Properties" business, all of the new projects that the Group acquired during the year, including the Shenyang – Eco Village, Tianjin – Eco Village, Chongqing – Eco Village, and Tianjin – Cambridge County projects, were also launched in the same year. For the "Residence + Outlets Complex" business, the Group actively expanded its cooperation with a greater number of first-class domestic and international brands, reaching nearly 300 by year end. For the "Urban Core Complex" business, land in the Lize Financial Business District of Beijing that was successfully acquired in early 2013 will be developed into a large scale high-end city complex with full access to the subway station underneath. For the "primary land development business", the Group made progress on its project in the Tianjin Wuqing Land Development Zone. Primary and secondary land development in the area also improved, which helped to keep the project on a healthy track.



CHAIRMAN'S STATEMENT

During the year, the Group actively adjusted to changes in policy and market demand and optimized its product portfolio in a timely manner. The Company further increased its investment in and development of projects with strong demand and rapid turnover, including new projects such as Beijing – Ealing, the International Peninsula in Wuqing, Tianjin, and Chongqing – Eco Village, all of which recorded satisfactory sales results. Moreover, by taking advantage of national policies that are intended to promote urbanization, and other opportunities to meet demand from consumers with higher disposable incomes and increasingly refined tastes, the Group remained committed to further promoting its “residential + outlets” business model. During the year, the Group successfully launched several “Outlet” projects in Beijing and Huzhou. In particular, the Beijing-Novotown, Beijing-Ballet Town, and Kunshan-Capital Novotel “Residential + Outlets” projects recorded sales of RMB3.4 billion. In 2013, the Company was able to set a new record for revenues as a result of the Group’s strategy of focusing on its core regions and products. As at 31 December 2013, the Group’s accumulated contracted sales in terms of gross floor area (“GFA”) totaled approximately 1.92 million square meters (sq.m.), and the contracted sales amounted to RMB19.6 billion, representing an increase of 48% over 2012. The average contracted sales price was approximately RMB10,200 per square meter (sq.m.), a year-on-year increase of 33%. Revenue grew by 24% to RMB11,320,840,000. Net profit attributable to equity holders reached RMB1,522,006,000, an increase of 37% over the previous year. The board of directors has recommended a final dividend of RMB0.22 per share (before tax) for the year ended 31 December 2013.

Financial resources, especially large scale long-term financing played an indispensable role in the development and transformation of the business. In 2013, the Group introduced a number of innovative financing agreements in order to improve the balance sheet and secure sustainable and stable sources of capital at low cost. In April, 2013, the Group issued US\$400 million senior perpetual capital securities, and then in November 2013, the Group raised RMB2 billion in domestic funds from China Life Insurance through a debt investment plan. Both transactions helped to improve the Group’s gearing and further diversify its sources of financing. In addition, the Group successfully completed the acquisition of Juda international Holdings Limited (“Juda”) (stock code: 1329), a company listed on the main board of Hong Kong Stock Exchange, in December 2013. The Company intends to develop Juda into an overseas platform to further support the Group’s businesses.



CHAIRMAN'S STATEMENT

Looking forward to 2014, the Group will remain committed to integrating its operations, differentiating the business from the competition, further strengthening its focus on traditional core regions and businesses, and following the new five year strategic plan. In terms of regional layout, the Group will primarily focus on core regions such as Beijing, Tianjin, Shanghai, Chengdu, Chongqing and the surrounding areas of each of these cities. In terms of business model, the Group's residential property development business will continue to focus on products with rapid turnover and strong demand from owner-occupier buyers in an effort to maintain sales momentum. The Group will further leverage the success of its Outlets model and steadily replicate it in other major first and second tier cities. BCL also intends to develop its "Urban Core Complex" business line into a new growth driver based on the Group's development in the Lize Business District of Beijing. Furthermore, the Group will continue to maintain and develop its comprehensive financing platform to support further growth by leveraging both domestic and overseas financial markets.

In 2013, we celebrated the anniversary of our first decade since our listing on the Hong Kong Stock Exchange. In 2014, we look to continue our journey of creating long-term value for our shareholders. On behalf of the Board, I would like to express our gratitude to our shareholders, business partners and clients for their care, support and help. Looking forward to the next 10 years, we will continue to forge ahead and accelerate our transformation, enhance our unique competitive edge and make continual efforts to become one of the most valuable integrated property developers in China.

Liu Xiaoguang

Chairman

Hong Kong, 9 February 2014



MANAGEMENT DISCUSSION AND ANALYSIS





MANAGEMENT DISCUSSION AND ANALYSIS



OVERVIEW OF CHINA'S PROPERTY MARKET

In 2013, China entered a “transformation stage” and was subject to downward pressure from the slowing economy. China recorded GDP growth of 7.7%, which was in line with the country’s steady path of development. At the Third Plenary of the 18th Central Committee of China’s Communist Party that was held at the end of the year, the strategies to reinforce reform recognized the market as a determining factor for resource allocation, and issued a positive signal for the stable and healthy development of society and the economy. The Chinese economy will experience a shift from pursuing rapid growth to a new era of more market-oriented reforms with intensive and professional management. On the whole, the Chinese economy is expected to remain positive going forward.

During the year under review, the real estate market maintained a relatively rapid pace of growth. In terms of investment, investment in property development in China reached RMB8,601.3 billion, a year-on-year increase of 19.8%. Of this, investment in residential property accounted for 68.5% of the total, reaching RMB5,895.1 billion, an increase of 19.4% from 2012. Eastern China, Central China and Western China all recorded year-on-year increases of over 18%. The total construction area of China’s property developers rose to 6,655.72 million sq.m., a year-on-year increase of 16.1%. Of this, the construction area of residential property reached 4,863.47 million sq.m., representing an increase of 11.6%.

A total of 1,305.51 million sq.m. (GFA) of Commodity housing was sold in 2013, up 17.3% year-on-year. Of this, GFA sold in residential properties rose by 17.5%, while GFA sold in office properties rose by 27.9%, and GFA sold in retail commercial properties rose by 9.1%. Sales of commodity housing totaled RMB8,142.8 billion, up 26.3% from 2012. Of this, sales of residential properties rose by 26.6%, sales of office properties rose by 35.1%, and sales of retail commercial properties increased by 18.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

Following regulatory reforms in the real estate sector, property companies with strong fundamentals and high brand awareness have been gaining market share. In 2013, the number of property development companies with over RMB10 billion in sales increased from 18 to 71. The market has been recovering with growing owner-occupier demand and steadily rising demand among consumers for higher quality living conditions. Property development companies have had to improve their product lines in order to meet such market demand and boost sales. The pace of development in the real estate industry in different regions was inconsistent throughout the year. Driven by strong demand for property, selling prices and sales volumes grew rapidly in first- and second-tier cities, while limited demand caused slower growth in third- and fourth-tier cities.

The Chinese government's policies to control the property sector have yet to ease. During the year, a number of cities with surging property prices announced a series of policies to moderate the market, which did impact the market in the short term. However, the impact was minimal as the gap between robust demand and limited supply strongly supported pricing. It is expected that the property sector will continue to face pressure from further policy controls in 2014. The People's Bank of China is expected to implement stable monetary policy, though credit and liquidity is expected to be tightened.

During the Third Plenary of the 18th Central Committee of China's Communist Party, the Chinese government released a series of reform initiatives. A number of initiatives pertained to the real estate sector, including initiatives related to the land system, property taxes, new urbanization models, the development of metropolitan regions and household registration reform. The government intends to focus on promoting human-centric urbanization, coordinating the development of large, medium and small cities as well as smaller towns, and integrating the development of industries and urbanization. In the future, some third and fourth-tier cities might narrow the gap with first and second-tier cities and more potential markets will emerge. However, given that real estate companies will be required to be more professional with specialized operations, the sector is expected to embrace the opportunities of transformation.

The enormous demand driven by China's huge population will continue to be a critical foundation of the sector's sustainable development. At the same time, the stable growth and healthy development of the economy will continue to raise demand and provide opportunities for real estate companies to rapidly expand their businesses. The Group will continue its integrated operation and value-driven development strategies, focus on its core businesses and core regions, confront challenges in the sector, capture development opportunities and continuously improve its core competitiveness based on its breakthroughs in business scale.

(Source: National Bureau of Statistics of China)



MANAGEMENT DISCUSSION AND ANALYSIS

THE PAN BOHAI RIM REGION PROPERTY MARKET OVERVIEW

Centered around the Beijing-Tianjin-Hebei metropolitan area, and the neighboring Liaodong and Shandong Peninsulas, the Pan Bohai Economic Rim is one of the most prosperous areas in China and includes the two major metropolises of Beijing and Tianjin. These two cities maintain distinct economic advantages and continue to attract people from all over China, which has resulted in continually increasing demand for property. The region's economic development has recovered in late 2012 following a temporary recession in 2011 and 2012. The obvious disequilibrium of Beijing's property market continued with transaction prices in December 2013 increasing by 26.7% compared with the same period last year. Total land transactions in 2013 reached a historical high with a year-on-year increase of 177%. While there were short-term effects from the implementation of regulatory policies, demand is expected to remain stable over the long-term, providing a promising future for the region. The future growth potential of commercial businesses in the Pan Bohai Economic Rim remains strong.

First, mixed-use property for both commercial and residential use is favored by government policies. The region's mixed-use property market has vast potential for future development. With limited space in the cities' central business districts, rental rates remain high while vacancy rates continue to fall. Moreover, a growing population provides more opportunities for commercial property growth. The Group's Lize Project in Beijing's financial business district is expected to become a flagship product in the Group's "Urban Core Complex" business and will aid in enhancing the Group's brand in core urban areas. The synergy created by the Group's outlets and the surrounding commercial businesses will further reduce the Group's operating risk and accelerate the promotion of its "Residence + Outlets Complex" business.



MANAGEMENT DISCUSSION AND ANALYSIS

Second, due to high property prices and a shortage of land inside Beijing's Fourth Ring, home buyers and property developers are focusing their attention on areas beyond the Fifth Ring Road, including districts such as Shunyi, Fangshan, and Daxing. Several popular locations in these districts have seen significant increases in both transaction volumes and prices in 2013. The Group's projects located in the Fangshan district, namely Ealing, Ballet town and Novotown, sold out immediately following their launch. The Group obtained a new project in 2013 located at Sun Cun in Beijing's Daxing district. This development will further add to the Group's growing land bank in the region's popular locations. The Group will continue to adapt to market trends and changes in government policy as it enters into a subsidized housing development for the first time through the project in Daxing.

Third, Beijing's property market continued its strong growth momentum. Driven by a strict household registration system and home-purchase restrictions, demand has increased on the outskirts of Beijing, Tianjin, and Hubei, including in the districts of Wuqing, Yanjiao, Xianghe, and Gu'an. The construction of a new exit on the second Jing-Jin Expressway and the establishment of a new international school significantly enhanced the potential of the Wuqing International Peninsula's development. A land transaction premium of over 130% and rising values of surrounding properties are expected to benefit the Group's primary and secondary developments. With further improvements in transportation links, hotels and other facilities, the region is expecting strong growth in the future.



MANAGEMENT DISCUSSION AND ANALYSIS

THE YANGTZE RIVER DELTA REGION PROPERTY MARKET OVERVIEW

In China, the Yangtze River Delta Region is one of the most developed and prosperous areas and with the strongest purchasing power in China and includes some of the world's top cities and regions. The Group's strategy for the region centers around Shanghai at the core, while Nanjing, Hangzhou, Suzhou, Wuxi, and Ningbo offer supporting opportunities. The property market in this region developed rapidly in 2013, such as Shanghai, in which the average contracted sales price in December 2013 increased 15.6% and transaction volumes increased over 36% during the year.

The establishment of the Shanghai Free Trade Zone ("FTZ") in August 2013 continued to facilitate the rapid development of the property market, and injected enthusiasm into the region. The establishment of the FTZ had the most positive impact on the commercial property market. Due to limited available space, the transaction volume and price of commercial properties surrounding the FTZ increased. The FTZ will continue to attract people from across the country, creating strong demand for high quality developments with centralized living, shopping, recreation, and dining areas.

Given the rapid development, and the Shanghai market's strong influence on surrounding areas, industry concentration within the region is expected to intensify. Transaction volumes and housing prices in Nanjing and other cities increased rapidly as a result. Ningbo, which has been connected directly to the Shanghai FTZ, announced reform plans for its economy, including increased urbanization. Meanwhile, the continuous improvement of transportation infrastructure within the region further benefited the surrounding areas. The opening of a high-speed train between Hangzhou and Ningbo is part of a vast network of high speed trains in the region and facilitates communication between various cities. In November 2013, Shanghai's #11 subway line was extended to Huaqiao county in Kunshan. The first interprovincial subway is a sign of an accelerating intercity transportation network development in the region speeding up the district transportation.

The Kunshan Outlet project experienced remarkable sales performance. With more than one million sq.m. of land bank, this project will form a solid foundation for future development. The Group also obtained a new plot of land in Songjiang Xincheng, Shanghai, which represents a breakthrough for the Group's land development in the core cities of this region.



MANAGEMENT DISCUSSION AND ANALYSIS

MID-SOUTH WESTERN REGIONS PROPERTY MARKET OVERVIEW

The mid-south western regions are centered around Chongqing and Chengdu. This inner region featuring abundant resources began its development at a later stage. There are significant differences between China's eastern coastal regions and the mid-south western regions in terms of both economics and rate of urbanization. In 2013, the property market in Chengdu and Chongqing grew steadily. The transaction price in Chengdu and Chongqing recorded a year-on-year increase of 11% and 8%, respectively. Chengdu was ranked first in the new list of first-tier cities by CBNweekly in December 2013, and Xi'an and Chongqing ranked sixth and seventh respectively, demonstrating the great potential that Chengyu and other inland cities have.

In 2011, the National Development and Reform Commission issued plans for the Chengyu Economic Zone and incorporated it into the national plan. With the steady progress being made on urbanization, cities in the Chengyu region will become an important focus of development and are expected to receive favorable government policies as they are upgraded to national level regions such as the Bohai Rim Region and Yangtze River Delta Region. The planning report for cities in the Chengyu region has been submitted and is currently under review and the development of this region has entered into an accelerating phase.

With further improvements to regional transportation, the regions' integration will be substantially enhanced. In September 2013, the last section of the Chengyu G93 Leye expressway opened, and it is expected to enhance the construction and development of the transportation network between Chengdu and Chongqing. The Yurong expressway was also opened and the high-speed train between Chengdu and Chongqing is expected to commence operations in 2015. The completion of the transportation network will further enhance the development of the Chengyu region's property market.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2013, the Group's revenue reached RMB11,320,840,000, representing an increase of 24% compared with the previous year. Operating profit totaled RMB2,426,553,000, up 28% year-on-year. Net profit attributable to equity holders of the Company reached RMB1,522,006,000, representing an increase of 37% compared with the previous year. Basic earnings per share (EPS) totaled RMB0.75, compared with RMB0.55 in 2012. The Board resolved to recommend the payment of a final dividend for the year ended 31 December 2013 of RMB0.22 per share. (2012: RMB0.16 per share)

During the year, the Group secured significant breakthroughs in relation to operations and management in the following areas:

1. Improving strategic transformation with clear direction and specific measures

- The Group co-operated with McKinsey to restructure and re-position the Company. The Company developed a strategic plan for the next five years which places greater emphasis on the development of the three main business lines, namely Residential Properties, "Residence + Outlets Complex", and Urban Core Complex. Each business line set a comprehensive strategy which takes into account regional positioning, client positioning, product positioning and product design. It also further improved the Company's structure, management style and incentive schemes to support business growth.
- The Company set clear goals for its strategic plan for the next five years and clearly stated its measures to achieve these goals. The Company will ensure that the measures listed in its strategic plan are well implemented by means of leadership, management style, and the allocation of funding and resources. The plan kicked off in late 2013 and is expected to be fully implemented in 2014, while continuous improvements will be made along the way.

2. Focusing on core cities, business grew steadily

- The Group's land bank development focused on core cities such as Beijing, Tianjin, Shanghai, and Chongqing. The aggregate GFA of new projects was 2.19 million sq.m. In 2013, Beijing and Tianjin accounted for 77% of the total new land bank, of which 52% was in Beijing and 25% in Tianjin. This further strengthened the Company's position around its regional headquarters. The Company also successfully entered Shanghai, the centre of the Yangtze River Delta area, by acquiring the Shanghai Songjiang project.
- The Company's three major business lines continued to grow steadily. Residential Properties business line focused on projects which have solid market demand and high turnover rates. During the year, the Company acquired several projects, including the Tianjin – Eco Village, the Chongqing – Eco Village, and the Tianjin – Cambridge County. All projects were successfully launched for sale within an average of eight months after land acquisition. The "Residence + Outlets Complex" business line expanded rapidly in Xiamen, Hefei, Changsha and Nanjing and set a solid foundation for further project development in 2014. The Company's integrated commercial project in the Lize Financial Business District was added to the "Urban Core Complex" business line. The newly added land bank is located in a prime area within Beijing's Second Ring Region with a total GFA of 500,000 sq.m. The project demonstrates the Company's efforts to develop a high-end integrated complex, featuring offices, commercial buildings, hotels and apartments, on top of a subway station in a prime urban area.

MANAGEMENT DISCUSSION AND ANALYSIS

- The Company achieved several major breakthroughs in primary land development, an innovative supplementary business. Two land plots in Wuqing, Tianjin were sold. One was sold to a subsidiary of the Group and the other was sold at a 134% premium to a third party. In January 2014, two primary development land plots in Zhaoquanying Town in the Shunyi District of Beijing were sold. One was acquired by a subsidiary of the Group and the other was sold to a third party.

3. Accelerating turnover assist sales set new record high

- The Company remained committed to its strategy of “maximizing scale, accelerating turnover, and destocking and optimizing the business structure,” and focused on matching demand with the units available for sale on launch days. Contracted sales reached RMB19.6 billion in 2013, representing a year-on-year growth of 48%. Cumulative subscription sales pending signing of official sales contracts reached RMB1.45 billion. The total contracted sales and the cumulative subscription sales totaled RMB21 billion, which was in line with the Company’s 2013 sales target.
- The Company boosted sales of left over units in various property developments, including non-core commercial space, offices and garage space, in order to quickly finance the development of projects in core cities and increase the Company’s overall turnover rate and revenue. The contracted sales of non-core commercial space, offices and garage space were RMB2.8 billion in 2013, of which RMB1.6 billion was from contracted sales of non-core commercial units in the Beijing International Centre.



MANAGEMENT DISCUSSION AND ANALYSIS

4. Strengthen branding, introduce Outlets

- The Company launched its Beijing BCL Outlets development in May 2013. The development generated sales volume of approximately RMB8 million and attracted 100,000 visitors on its debut. In addition, 13 retail outlets experienced record high one-day single store sales in China and 7 retail outlets recorded record high one-day single store sales in Beijing. By the end of 2013, 151 shops were open for business at the Beijing Outlets development, and the occupancy rate was 90%. In December 2013, the Company also launched a soft opening of its Huzhou BCL Outlets Phase 1 project, which attracted over 40,000 visitors on the first day. The success of this latest project demonstrates the Company's ability to export the BCL Outlet brand to the better developed Yangtze River Delta region.
- The Company primarily worked to establish the "BCL Outlets" brand by co-operating with first-tier international and domestic brands, and also created a well-established platform for branding and marketing. In 2013, BCL outlets signed agreements with more than 300 first-tier international and domestic brands, and formed strategic partnerships with more than 100 brands, including 60 exclusive or flagship brands.
- The Company has been working to take advantage of synergies between commercial outlets and residential properties and developing its "Residence + Outlets" business line with stable investment and profit growth. Because of the success of the grand opening of the Beijing Outlets development and the promotion and development of the Integrated Kunshan BCL Outlets Project, the overall value of the area where the projects are located has been enhanced, which has also spurred sales of residential properties. The total sales at "Residence + Outlets" projects such as Beijing Novotown, Beijing Ballet Town and the Integrated Kunshan BCL Outlets Project, were RMB3.4 billion in 2013.

5. Innovative financing channels and new red chip listing platform in Hong Kong

- The Company successfully issued US\$400 million senior perpetual capital securities. The Company was the first H-share company in the property sector to issue offshore US dollar-denominated senior perpetual capital securities. From 2011 to 2013, the Company issued three offshore bonds with different structures, all of which helped to enhance the reputation of the Company in the international capital markets. This solid track record of bond issuance has helped the Company establish a low cost and long term offshore fund raising platform.
- The Company successfully introduced China Life Insurance Fund. In November 2013, the Company cooperated with China Life to jointly set up an innovative "China Life – BCL Debt Investment Plan" financing of RMB2 billion. This co-operation marks the first time that the Company has raised funds from an insurance company.
- Red-chip listing platform is newly established. In December 2013, the Company, together with Beijing Capital Group, obtained a Red-chip listing platform by acquiring 75% of the share capital of Juda International Holdings Limited, a Hong Kong-listed company (stock code: 1329). This move is expected to assist the Company secure a breakthrough in offshore equity financing.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

The Group, together with its joint ventures and associated companies, completed a total GFA (Gross Floor Area) of approximately 2,237,791 square meters; an increase of 42% year-over-year.

Projects Completed in 2013

Project	Approximate GFA (sq.m.)	Type	Attributable Interest
Tianjin International Peninsula	92,297	Residential	100%
Tianjin Fortune Class	47,445	Residential	55%
Tianjin A-Z Town	189,778	Residential	55%
Tianjin Noble City	72,597	Residential	40%
Tianjin Landing House	34,456	Residential	40%
Tianjin Mangrove Bay	60,391	Residential	100%
Xi'an First City	302,164	Residential/ Commercial	40%
Qingdao Airport International Center	94,122	Commercial	100%
Zhenjiang Joyous House	142,243	Residential	100%
Chengdu Wanjuanshan	220,850	Residential	55%
Chengdu Cittá Villa	254,191	Residential	55%
Chengdu First City	60,473	Residential	100%
Wuxi Joyous House	48,493	Residential	100%
Chongqing Hong'en International Living District	314,853	Residential	50%
Shenyang First City	142,251	Residential	30%
Huzhou Outlets Integrated Project	42,841	Commercial	100%
Hainan Outlets Integrated Project	118,346	Residential/ Commercial	55%
Total	2,237,791		

MANAGEMENT DISCUSSION AND ANALYSIS

SALES PERFORMANCE

Project	Approximate Contracted Sales Area (sq.m.)	Approximate Contracted Average Selling Price (RMB/sq.m.)	Approximate Contracted Sales Revenue (RMB'000)
Residential (Beijing and Tianjin region)	661,057	13,833	9,144,543
The Reflections, Beijing	3,895	64,471	251,113
Ealing, Beijing	52,563	17,655	927,974
Beijing Xanadu	9,379	87,594	821,540
North Ring World Center	1,862	31,998	59,580
Beijing Ballet Town	37,964	23,321	885,350
Beijing Novotown	79,550	16,619	1,322,042
Beijing Landscape Villa	57,985	11,654	675,738
Tianjin Noble City	51,314	9,758	500,708
Tianjin Fortune Class	45,214	16,101	727,986
Tianjin Landing House	31,032	10,131	314,380
Tianjin International Peninsula	209,207	9,068	1,897,128
Tianjin A-Z Town	11,857	11,025	130,719
Tianjin Mangrove Bay	21,695	8,233	178,618
Tianjin Eco Village	19,163	9,864	189,030
Tianjin Cambridge County	28,377	9,255	262,637
Residential (excluding Beijing and Tianjin region)	1,088,344	7,050	7,673,026
Chengdu First City	38,868	9,320	362,258
Chengdu Città Villa	43,539	5,927	258,067
Chengdu Wanjuanshan	82,247	5,960	490,201
Shenyang First City	54,479	7,010	381,891
Shenyang Qipan Hills First Villa	603	13,136	7,921
Shenyang Eco Village	12,866	5,929	76,280
Wuxi Gentle House	240	8,083	1,940
Wuxi Joyous House	24,151	8,408	203,050
Jiangyin Auspicious House	14,639	7,722	113,049
Xi'an First City	131,133	6,821	894,508
Chongqing Hong'en International Living District	157,563	7,432	1,171,032
Chongqing Eco Village	71,319	5,310	378,716
Zhenjiang Joyous House	46,957	4,808	225,752
Hainan Integrated Outlets Project	36,382	9,055	329,429
Qingdao Central Park No.1	22,250	8,223	182,956
Qingdao Sunny Xiangmi Lake	42,066	7,702	323,980
Qingdao Yangbuzhai	12,530	7,751	97,122
Yantai Sunny Chief Yard	66,762	6,441	430,036
Qingdao Airport International Center	7,095	9,865	69,994
Huzhou Joyous House	38,358	8,111	311,105
Kunshan Integrated Outlets Project	161,590	7,000	1,131,159
Kunshan Eastern Mystery	22,707	10,243	232,580

MANAGEMENT DISCUSSION AND ANALYSIS

Project	Approximate Contracted Sales Area (sq.m.)	Approximate Contracted Average Selling Price (RMB/sq.m.)	Approximate Contracted Sales Revenue (RMB'000)
Commercial	93,958	26,252	2,446,542
Beijing World Center	37,777	42,469	1,604,360
North Ring World Center	776	10,000	7,760
Beijing A-Z TOWN	1,350	31,024	41,882
Beijing Urban Town	4,575	33,725	154,293
Beijing Novotown	550	22,153	12,184
Chengdu Città Villa	2,776	12,778	35,471
Chengdu Wanjuanshan	3,628	14,999	54,417
Xi'an First City	9,129	21,268	194,160
Hong'en International Living District	3,066	19,018	58,310
Chongqing Eco Village	11,641	10,752	125,161
Qingdao Sunny Xiangmi Lake	454	11,577	5,256
Yantai Sunny Chief Yard	3,966	12,107	48,015
Qingdao Airport International Center	14,270	8,779	125,273
Car Parking Space	79,527	4,157	330,623
Total	1,922,886	10,201	19,614,734



MANAGEMENT DISCUSSION AND ANALYSIS

SALES PERFORMANCE

In 2013, the Group's primary focus has been to expand the business and improve turnover. The Group worked to make investment in land bank that are expected to see high demand from owner-occupiers and fast turnover. Newly acquired projects, such as Tianjin Cambridge County, Tianjin Eco Village and Chongqing Eco Village, were all launched in fewer than 8 months, on average, following their acquisition. The Group has been working to improve its capital position by accelerating the sales of ground floor shops, houses with garages, and non-core areas. The accumulated capital has been used to invest in key areas and core businesses in order to improve the Group's turnover rate and profit margin. The increase in newly acquired land and sale of stock has helped to optimize the Group's product portfolio and drive record high annual sales.

During the year under review, the total contracted sales area of the Group, together with its joint ventures and associated companies, was approximately 1.92 million sq.m., an increase of 11% year-on-year. Contracted sales area of residential property reached 1.75 million sq.m. The total value of contracted sales was approximately RMB19.6 billion, an increase of 48% year-on-year, of which approximately RMB16.8 billion was generated from residential property sales. At the end of 2013, cumulative subscription sales pending signing of official sales contracts was RMB1.45 billion. In terms of geographic distribution, the Group successfully focused on opportunities in prosperous first and second tier cities. 72% of total contracted sales were from Beijing, Tianjin, Chengdu and Chongqing, which are core areas of the Group's strategic focus. This represents an increase of 12 percentage points year-on-year, and helped the Group to successfully centralize its resources and further develop key areas.

In 2013, the contracted average selling price for all projects was approximately RMB10,200 per sq.m., up 33% year-on-year. The average selling price in Beijing was RMB23,315 per sq.m., up 43% year-on-year. The average selling price in areas outside of Beijing was RMB7,825 per sq.m., up 19% year-on-year.

In 2014, the Group will continue to focus on optimizing its product portfolio with an emphasis on property development in major regions. The Group plans to expand sales of units in the newly acquired Beijing Daxing Suncun Residential Project, Beijing Shunyi Zhaoquanying Town Residential Project and Shanghai Songjiang Residential Project. These projects, which were all acquired either at the end of 2013 or at the beginning of 2014, will debut in 2014, strengthening the Group's market position in Beijing and building the Group's brand and reputation in Shanghai. In 2014, the Group expects to have more than 4 million sq.m. of salable products and total contracted sales of more than RMB28 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

City Super Luxury Residential Series

Xanadu, Beijing – A Benchmark of Luxury Residence in a World-class City



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

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

The Reflections, Beijing – A Landmark Project that Reflects Traditional Chinese Culture



The Reflections is located at the core government district in western Beijing. Adjacent to several renowned landmarks in Beijing, including Yu Yuan Tan Park, The China Millennium Monument and Diaoyutai State Guesthouse, the project boasts a panoramic view and a pleasant living environment surrounded by Yu Yuan Tan with a surface area of over 60 hectare and a greenery and landscaping of 750,000 sq.m.

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

Urban Town, Beijing – A Unique Project in the Third Ring Connecting to the World



Urban Town is situated at core areas of Heping Lane of the North and East Third Ring Roads, enjoying easy access to the Airport North Route and Subway Route Nos. 13, 10 and 5. The project boasts a 30,000 sq.m. atrium, an exclusive 50,000 sq.m. riverside park and views of the western part of the city.

Project total GFA: approximately 260,000 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

A-Z Town Series

A-Z Town, Beijing – Live a Life Full of Variety



Situated at a residential district in the eastern part of the CBD in Beijing, this project is a large-scale integrated property which signifies the beginning of a diversified community. Equipped with a commercial plaza of close to 100,000 sq.m. and up to 300,000 sq.m. of high-end furnished apartments; a central view greenbelt over 10,000 meters lies in the middle, leveling close with the Northern part of the modernized apartments.

Project total GFA: approximately 450,000 sq.m.

A-Z Town, Tianjin – Live a Life Full of Variety



Tianjin A-Z Town is located in Dameijiang District in Tianjin, at the intersection of Li Shuang Highway and Weishan South Road. The project includes a variety of sections, such as Youke Loft, Langshi Gongguan, Zaijian Baihuo, commercial centres and Zao'an Park. It is expected the project will become a master-planned community including retail spaces, specialty business streets, serviced apartments and office spaces, allowing its residents and users to enjoy different lifestyles.

Project total GFA: approximately 240,000 sq.m.

Chengdu Città Villa – One of the Top Remarkable Project Spanning 400,000 sq.m.



Chengdu Citta Villa is located at the core living circle along the extension of East Main Street and is only 10-minute walking distance away from Subway Route No. 2. The project is set in a natural setting, surrounded by 4A national scenic spots, namely Sanshengxiang and Xingfu Meilin, which serve as a “natural oxygen bank” of the project.

Project total GFA: approximately 390,000 sq.m.

Chengdu Wanjuanshan



Chengdu Wanjuanshan is located on the extension line of Dongdajie in the Chengdong Financial Centre of Chengdu. It is adjacent to Yidu Road, Chenglong Road and the extension of Subway No. 2, which will operate in 2013. The project will have a view of the Chenglong Campus of Sichuan Normal University, and will be next to the university at its south. It will also bask in the natural setting which includes Sansheng Flower Garden and Swan Lake.

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

MANAGEMENT DISCUSSION AND ANALYSIS

First City Series

Chengdu First City – A Gate to Chengdu and a Leading Project Worldwide



Chengdu First City is situated outside the Chengyu Flyover at East Third Ring Road, next to major transportation route and near a thousand-mu city park. Incorporating the architectural style of ART DECO and a symmetrical planning, the project boasts a central plaza with an enclosed structure and a GFA of 20,000 sq.m.

GFA of the project: approximately 410,000 sq.m.

Shenyang First City – In Close Proximity to Natural Landscape of Wulihe



Located at the core area of Hunnan and opposite to the CBD of Wulihe, Shenyang First City is linked to the prosperous area of the “Golden Corridor” by Hunhe Bridge. The project is adjacent to the Subway No.2 and the only central garden in Hunnan region of 110,000 sq.m. The project was designed by GENSLER, a design architect ranked six in the world. The buildings of the projects are spaciouly separated with sufficient natural light and good ventilation.

Project total GFA: approximately 590,000 sq.m.

Chongqing – Eco Village



Chongqing – Eco Village is the first product of the “Eco Village” project. It is located in Xiyong core business area, one of the six parks of Chongqing urban zone and one of the five biggest business districts. The Village is surrounded by micro-electronic industrial part, bonded port and universities, which has been strategically developed by the country. It is definitely a prominent location with convenient traffic. The Company integrated LOFT, SOHO apartments, high levels and commercial street in this area in order to build up a one-stop international life style for the youths in this new area.

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

MANAGEMENT DISCUSSION AND ANALYSIS

First City Series

Tianjin – Eco Village



The project is adjacent to Tianjin-Tanggu Highway, next to Julishuang Road, and to the south of Airport South-extension line. As a British-style mansion expert, BCL aims to develop the project into a large-scale waterview British-style mansion estate, offering a full spectrum of unit layout design, featuring a British-style garden, designed with traditional British architecture elements, complemented with quality ancillary facilities, providing the owner a home that deserves living for the whole life.

Project total GFA: approximately 600,000 sq.m.

Shenyang – Eco Village



The project is located in the north of the new city center of Shenyang. It is to the northeast of the new railway station, at the central business area of Hunnan New Town. The project has a site are of 190,000 sq.m. and has a GFA of nearly 600,000 sq.m. It has been well received by the market given its unique style which integrated elements of leisure, entertainment and living.

Project total GFA: approximately 710,000 sq.m.

Chongqing Hong'en International Living District – An Ideal Lifestyle in One's Perspective



The project is located at the core of Hong'ensi region in Jiangbei district, the main city of Chongqing. The region is next to Jiangbeizui CBD and in Hong'ensi Park, the largest central park in the city. The project comprises Inter-Continental serviced apartments and townhouses, with theme parks featuring different countries' styles.

Project total GFA: approximately 950,000 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

County House Series

Beijing – Novotown – An Ideal Home



The project is located at the core district in Changyang, Fangshan District of Beijing, just across the Beijing Integrated Outlets Project. The project features a strategic location, a multi-layer transportation network, international retail brands, quality education and healthcare facilities and a pleasant natural environment. The project provides high-quality 2-3 bedroom units of 69-87 sq.m. with high efficiency rate, offering young people a chance to have their dream homes.

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

Wuxi Joyous House – An International Masterpiece of China's Art Deco Architecture



The project is located at Changjiang Road in Wuxi New District. Capitalizing on the positioning of the district as an international business center of the region, it enjoys quality ancillary facilities. Through the use of waterways, gardens, landscapes and colors, the project perfectly combines the open plaza in the community with the townhouse clusters and landscapes.

Project total GFA: approximately 230,000 sq.m.

Tianjin Mangrove Bay



The project is located in the core area of Qibu district, in the south of Sino-Singapore Tianjin Eco-city, adjacent to the Qibu commercial pedestrian street and the Eco Valley Park. The overall layout planning goes along with the Eco Valley and the coast line in the far, demonstrating a perfect match.

Project total GFA: approximately 110,000 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

County House Series

Tianjin Noble City – An English-style Village in Urban Area



The project is next to Tianjin Free Trade Zone and Dongli Tourist Resort, and is approximately 13 km away from Tianjin Binhai International Airport. It enjoys both the peripheral facilities of the international airport and economic development of the free trade zone. The landscape garden adopts a classic English style, with a theme of “romanticism”, offering a feel of countryside environment.

Project total GFA: approximately 270,000 sq.m.

Tianjin Fortune Class – An Elegant and Extraordinary Residence



Adjacent to the Hongkan Lingshiqun Villa sector, Fortune Class is in close proximity to the Subway Route No.1 and the planned Route No. 6 in addition to a large station of public transportation. Adopting British style of gardening, the project emphasizes the perfect combination of buildings and natural setting.

Project total GFA: approximately 270,000 sq.m.

Tianjin Landing House – A Supreme Lakeside Mansion



Landing House is situated at Di Yi Ying Bin Road, along the extension of Youyi Road, Tianjin, The land plot of the project is divided into the Southern and Northern parts. A musical theme park is located in the middle of the project. The southern part of the project is built around the lakeside, and is set in a serene environment.

Project total GFA: approximately 160,000 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

County House Series

Tianjin – Cambridge County



The project is located in the south of Sino-Singapore Tianjin Eco-city, enjoying favorable policies for the Eco-city and high-quality ancillary facilities. The project has a green space ratio of over 40%. A sense of humanity provides a slow-pace environment.

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

Huzhou Joyous House – An International Masterpiece of China’s Art Deco Architecture



The project is located at Renhuangshan New District, the political and cultural center of Huzhou. It is adjacent to Renhuangshan Park which is as large as 5,000 mu and Qianshan Park, and enjoys quality facilities of the district. It will provide a variety of residential buildings including villas, small high-rise buildings and high-rise buildings, and adopts an international and modern development concept.

Project total GFA: approximately 140,000 sq.m.

Zhenjiang Joyous House – An Ideal Green Home



The project is located in Dingmao, the new district of Zhenjiang, with Nan Wei Si Lu running in the North and Jing Shi Er Lu running in the East. With historical and cultural heritage of the city, prime location, a picturesque natural landscape, the project is to be built into a comfortable residence in the CBD of the metropolis. The project is developed in three phases, with nearly 3,000 units in three product categories, including villas, garden houses and high-rise residential buildings.

Project total GFA: approximately 250,000 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

Residential + Outlets Series

Ballet Town, Beijing – International Lifestyle at CSD



The project is located in Changyang Town, Fangshan District, Beijing. It is in close proximity to Changyang West Station of Fangshan line of the intercity railway and is only a 30-minute drive from Finance Street in Beijing via Beijing-Shijiazhuang Expressway. This is the first project of the Group's new business of integrated residential project series in Beijing, featuring the world renowned Outlets stores.

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

Huzhou Integrated Outlets Project



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

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

Kunshan Integrated Outlets Project



The project is located at south-east corner of the east new town of Kunshan City, alongside the south high technology enterprise park and accompanied with large customer base and market demand. This project is BCL's first debut in Kunshan. Approximately 180,000 sq.m. of this project's site area will be occupied by commercial buildings such as outlets, and there will be some sidewalk shops. It has nearly 40% green space ratio with ART DECO style to express elegance and a sense of fashion.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Suburb Low Density Products

Beijing Landscape Villa – Style of a quiet township in North America



The project is located at Xiwengzhuang Town, north of Miyun. It is the first villa project at the pathway to the Miyun Reservoir, and it is closest to the urban area of Miyun. The project is surrounded by abundant natural resources, including the Bei and He Jingmi water canal on the west side, Yunfo and Yunmeng mountains on the north side, and Miyun Reservoir, Hei Long Tan, Beijing First Waterfall and other attraction within close distances. The project consists of villas, garden houses, high-rise residential buildings.

Project total GFA: approximately 280,000 sq.m.

Shenyang Qipan Hills First Villa – An Extraordinary Villa Project with Exquisite Landscape



Qipan Hills First Villa is located at the center of Qi Pan Shan central villa district. Facing water landscape at the front and in the back, the project is next to the World Expo Park and Dongling Park. This not only provides scarce natural resources to the project, but also created an elegant ambience to the surroundings. The design of the project adopts an Italian Tuscan style.

Planned project total GFA: approximately 580,000 sq.m.

Qingdao Central Park No. 1



Qingdao Central Park No. 1 is located at the free trade economic zone in Chengyang area of Qingdao – only a street away from Olympic Park, the biggest ecological park in the Shangdong Province. The project features a garden which is designed in Mediterranean style with flowers, shrubs, trees, lakes and lawns. Elements like water, flowers, forests, corridors and pillars are delicately featured in both the front and back yards of the Tuscan style.

Project total GFA: approximately 140,000 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

Suburb Low Density Products

Yantai Sunny Chief Yard



The project is located in the Fushan district of Yantai, at the intersection of Huifu Street and Songxia Road. The project contains green corridor with city views, a community centre park, a garden shared by neighbors, and lawns to create a community in the city. Half of it is open space and the other half is a closed section.

Project total GFA: approximately 460,000 sq.m.

Sunny Xiangmi Lake, Qingdao



The project is located in the inner circle of Licang ecological zone, which is contiguous with Minchang eco-residential area and Shimei'an eco-residential area. It is surrounded by Loushan Park, Hushan Forest Park and Cangkou Park. The area also features well-known sceneries such as Ximenchangge and Hanlinyuan. The project enjoys convenient transportation and is accessible by the M1 line of the metro at Xingguo station, and is only 2 km from the Chongqing Station on the M3 line. The project will be constructed as an eco-residential area in the Spanish style.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Urban Core Complex and Commercial Projects

Lize Financial District Project



The project is located at the center of Beijing Lize Financial District. It is also considered to be able to represent the district's image. It has Caihuying Bridge in the south-west second ring road on the east side, National Academy of Chinese Theatre Arts on the south side, and the Lize road, one the main road in the commercial district, on the north side. The project is positioned as "Financial Satellite City, Top of Lize" and includes three main product types, namely apartment, office building, and commercial building.

Planned project total GFA: approximately 490,000 sq.m.

Tianjin International Peninsula



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

Project total GFA: approximately 2 million sq.m.

Qingdao Airport International Centre Project



Situated 50 meters east from the terminal of Qingdao Liuting International Airport, the project marked another product breakthrough for BCL. The project consists of 23 office buildings, 7 incubator office buildings, 3 commercial centers, a serviced-apartment hotel, and a complex of commercial buildings.

Project total GFA: approximately 240,000 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

HOTEL OPERATIONS

During the year, Holiday Inn Central Plaza continued to improve its service quality, expand its customer base and maintain stable operations and management. As at 31 December 2013, revenue from the hotel totaled approximately RMB98,618,000, which was relatively stable compared with 2012. The average occupancy rate was approximately 76%, up 2 percentage points year-on-year.

LAND BANK

In 2013, the commodity housing market saw a new round of rapid growth, increasing the growth momentum of the land market. While trading volume of land climbed, the amount of land traded with a premium increased significantly. Prominent real estate companies increased investments in land as the proportion of investments made in first and second tier cities increased significantly, especially in Beijing and Shanghai.

In 2013, the Group leveraged the synergies created through the infrastructure businesses of its parent company by taking advantage of its first-mover status in primary land development. Following government policies to expand land bank through diverse channels and increase the supply of subsidized housing, the Group won bids for multiple high value land plots in major cities such as Beijing and Shanghai.

In January 2013, the Group won land in the Beijing Lize Business District with a GFA of 380,000 sq.m. The project is located at the intersection of Beijing Metro Line 14 and Line 16, which were developed and constructed by the Group's parent company, and is close to Beijing's Finance Street on the Western Second Ring Road. This high-end, fully integrated urban project was constructed above the metro station and is located around one of Beijing's major hubs. It is a key project through which the Group aims to increase its presence in the Beijing market.

In November 2013, in accordance with subsidized housing policies, the Group obtained land plot in Suncun in the Daxing District of Beijing with a GFA of 110,000 sq.m. The project focuses on owner-occupied commodity housing and housing with lower prices and smaller habitable areas to satisfy owner-occupier demand. It is expected to achieve the goal of rapid turnover, which is in line with the Group's residential projects development strategy with high turnover.

In November 2013, the Group obtained land plot in the Songjiang District of Shanghai with a GFA of 120,000 sq.m. The project is located in the Xincheng Area of Shanghai Songjiang District, which is traditionally associated with villas close to Metro Line #9. The area has great potential with a superior surrounding environment. This project is a significant development in the Group's strategy of expanding its market share in the Shanghai market and penetrating the Yangtze River Delta Region.

In addition, the Group's primary land development business continued its steady growth. In 2013, two plots of land in the Tianjin Wuqing Land Development Zone were sold successfully on the open market. Plot 4-2 was acquired by a subsidiary of the Group, adding 210,000 sq.m. to the Group's land bank, while Plot 4-6 was sold through the open market with a premium of 134%. In January 2014, two land plots in the Beijing Shunyi Zhaoquanying Primary Land Development were also sold on the open market, of which Plot 3 was obtained by a subsidiary of the Group, adding 200,000 sq.m. to the Group's land bank, while Plot 1 was sold on the open market with a premium of 48%. While the Group obtained high-quality land and primary development benefits, stable progress was made in investment, recruiting and infrastructure development, which have helped to gradually improve the value of the target areas.

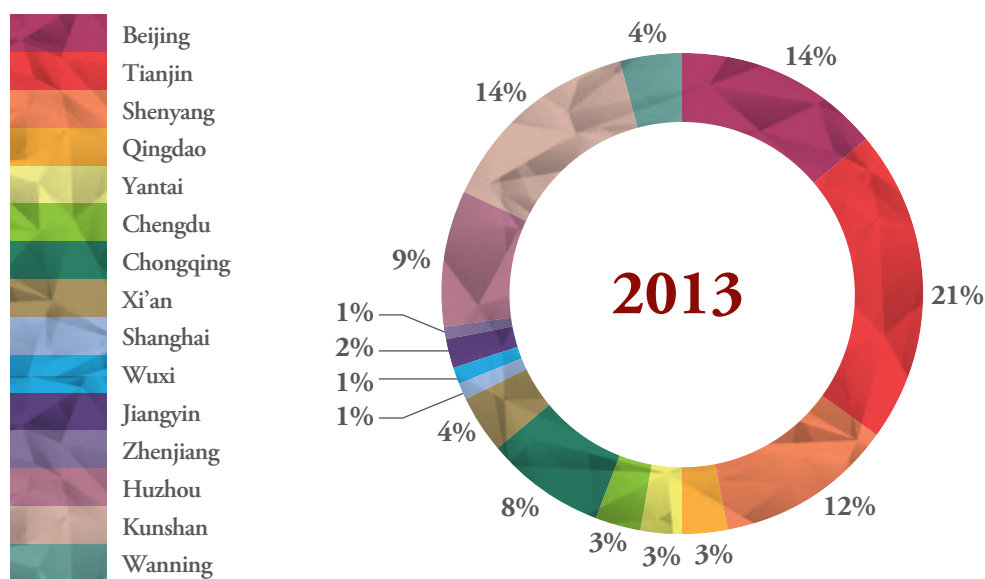
MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2013, the Group had an aggregate GFA of 9.95 million sq.m. of land bank (7.85 million sq.m. of which was attributable to the Company's equity interests) and had a total site area of 8.41 million sq.m. (6.75 million sq.m. of which was attributable to the Company's equity interests). Of the total GFA of land bank, approximately 63% was for residential projects, 12% was for commercial projects, 8% was for office use, 2% was for hotels, and 15% was for car parks and other uses. The existing land bank is of optimum scale and is sufficient for the Group's development in the coming three to four years.

New projects in 2013

Cities	Projects	Site Area of lands ('0000 sq.m.)	GFA ('0000 sq.m.)	BCL's equity in the projects
Beijing	Lize financial business district Project	4.5	38.0	
	F02	1.6	15.0	68.5%
	F03	1.9	16.0	100%
	F05	1	7.0	100%
	Daxing Sun Village Project	6.2	11.1	100%
Shanghai	Songjiang Project	6.5	11.8	100%
Tianjin	Eco Village	25.7	51.2	16.4%
	Cambridge County	11.7	13.4	100%
	Lishuang Road Project	10.8	19.8	100%
	Wuqing 4-2 Project	18.7	20.5	100%
Chongqing	Eco Village	14.6	38.8	28.24%
Wanning	Liji Town Project	18.9	14.3	100%
Subtotal		117.6	218.9	

Geographical breakdown of the Company's land bank by the end of 2013



MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 31 December 2013, the Group had a professional team of 1,542 staff with an average age of 32.5. In terms of education level, 74.2% of employees were graduates with bachelor degrees or above, of which 10.2% had a master's degree or above. Employees with intermediate or senior professional titles accounted for 24%.

In 2013, the Group focused on restructuring its management model and accelerated the establishment of its strategic headquarters and value-oriented subsidiaries. Key senior management are involved in the process of forming the Group's strategy, as well as promotion and implementation of the strategy to enhance management efficiency and the Group's overall operational capacity. The Group established a performance incentive system, which is in line with its strategic plan and takes into consideration the interests of shareholders. With the rapid growth of the Group's businesses, the Group is building a more active and progressive corporate culture to encourage and enhance staff morale. The Group is actively investing in its staff to meet their strategic development goals, building an information platform for employee career development, and promoting the self-initiative learning ability at all levels. These efforts will provide continuous momentum to the Group's business scale breakthrough.

Business Model

The core of the new urbanization model is the development of metropolises around first and second-tier cities, driven by the expansion of railway transportation and expressways. New areas comprise satellite cities which create demand for industry, commerce and housing. Old areas will be renovated to meet additional demand for commercial activities and offices. As a whole, there will be more development opportunities for integrated operation and differentiation in the market.

Aspiring to be 'the Most Valuable Comprehensive Property Developer' in China, the Group focuses on three core businesses: Residential Properties, "Residence + Outlets Complex" and Urban Core Complex. This is complemented by primary land development. The Group differentiates itself from its peers through its fully integrated operations and the seamless coordination among all business lines, which helps to increase competitiveness.

Residential Properties: The Group focuses on property development in Beijing, Tianjin, Shanghai, Chengdu, Chongqing and surrounding cities that are connected to the Bohai Rim, Yangtze River Delta, and Mid-south western regions through rail or road. To cope with the robust demand of first time home buyers or home buyers looking for upgrades the Company has launched a number of standardized products with price and space controls. These products provide top quality services to the Group's customers while at the same time establish the Company's unique brand positioning. Some representative projects include the "A-Z Town" series, "First City" series, and "County House series".

Residence + Outlets Complex: The Group targets cities based on major economic indicators, including GDP, population, level of market competition and market space. The Group builds "Residence + Outlets" developments along railroad tracks and uses the Outlets model as an engine to drive regional development as well as to enhance the value of residential products. The push for urbanization and consumer demand for housing upgrades provide an opportunity for the Group's "Residence + Outlets" business line. The Group expects to accelerate the replication and development of this business line in other targeted cities. Some representative projects include the Beijing BCL outlets project and the Kunshan BCL outlets project.

Urban Core Complex: The Group focuses on big cities such as Beijing, Tianjin, Shanghai, Chengdu, Chongqing and regional centers where railways are being built. Projects are positioned as urban high-end commercial complexes. The Group enhances its capital and operational abilities through the introduction of investors, and business and management partners which assist in achieving stable rental returns while sharing in capital gains. Representative projects include the Beijing Lize Financial Business District Project.

MANAGEMENT DISCUSSION AND ANALYSIS

Primary Land Development: It is the supplementary business line for residential property development which focuses on residential property development areas. This business line shares the benefits of land appreciation with the surrounding areas to acquire high quality land resources at a lower cost. Representative projects include the Wuqing Primary Land Development Project in Tianjin and Zhaoquanying Primary Land Development Project in Beijing Shunyi.

Strategy and Vision

Looking forward, policies and regulations are unlikely to be relaxed in the short term and strong demand for housing, including from first time home buyers and home buyers looking for upgrades, is expected to continue. More low-income and commercial housing for individuals are planned to be built in an attempt to relieve the pressure caused by surging real estate prices. In the long term, the Third Plenary Session of the 18th Central Committee of China's Communist Party recognized the market as a determining factor. The basic tone for policies regarding rural land circulation, urbanization and property tax is set to establish a sound and stable long-term industrial development mechanism and the administrative restrictions are expected to be gradually eliminated. Real estate companies will need to improve their integrated operational capacities, seize the opportunities that emerge from urbanization, and retain their competitiveness in an increasingly fierce and centralized market.

The Group will adopt the following 5-year development strategies in 2014:

- The Group will adhere to the strategy of “Achieving certain scale, Accelerating turnover, Decreasing inventory and Adjusting structure” to provide more products which can meet the increasing demand for housing. Sales of commercial units located on lower levels and in the basements of commercial buildings, and parking facilities, and property investment in non-core regions is expected to accelerate. For new investment projects, the Group has set its annual sales target at RMB28 billion, and will focus on optimizing its project cycles and launching projects in the same year of acquisition.
- The Group's Residential Properties business line focuses on Beijing, Shanghai, Tianjin, Chengdu, Chongqing and other surrounding cities. The Group will acquire projects in core areas by pre-applying for land, primary land development and the parent infrastructure business. The “Residence + Outlets Complex” business line will be expanded in select target cities, which will assist the building of ‘Beijing Capital Outlet’ into a leading brand name and it will also push the development of the surrounding regions and increase residential property value. The Group's Urban Core Complex business line will leverage its Beijing Lize Financial Business Project to introduce international partners and financial investors and it will steadily improve the Group's capacity to develop and operate in high-end commercial complex in core cities.
- The Group will further enhance its research and development, purchasing, construction, and marketing capabilities and its products will be further standardized to satisfy changing customer preferences. The Group's centralized strategic purchasing system will be expanded and implemented into more areas after its testing phase. The Group plans to establish a professional property marketing team to promote its brand and the current “360” service standard will be further enhanced to provide unique residential services.
- The Group's incentive system emphasizes both innovation and discipline. The system connects the interests of shareholders, investors and the management team of the Company's projects by allowing them to co-invest in projects to facilitate project turnover and enhance sales performance.
- The Group will leverage its domestic and overseas financing platforms to achieve equity and debt financing. This will allow the Company to raise low-cost, large scale and long-term capital for its business development and further optimize its financial structure.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

1. Revenue and Operating Revenue

During the year 2013, revenue of the Group was approximately RMB11,320,840,000 (2012: RMB9,134,054,000), representing an increase of 24% from the year 2012. Such increase in turnover was attributable to the increase in projects completed and occupied during the year, which included Chengdu Wanjuanshan, Chongqing Hongensi and Beijing Ballet Town Project.

During the year 2013, the Group achieved a gross margin after business tax of 27%, remaining stable when comparing with 27% in 2012.

During the year 2013, the operating profit of the Group was approximately RMB2,426,553,000 (2012: RMB1,892,280,000), representing an increase of approximately 28% from the year 2012.

2. Financial Resources, Liquidity and Liability Position

During the year under review, the Group maintained a healthy liquidity position and a reasonable appropriation of financial resources. As at 31 December 2013, the Group's total assets were RMB56,190,688,000 (2012: RMB47,536,488,000) and non-current assets were RMB7,308,657,000 (2012: RMB9,717,909,000) and the total liabilities were RMB39,962,204,000 (2012: RMB37,533,477,000) (of which, current liabilities were RMB26,465,407,000 (2012: RMB21,822,841,000) and non-current liabilities were RMB13,496,797,000 (2012: RMB15,710,636,000)), and shareholder's equity reached RMB16,228,484,000 (2012: RMB10,003,011,000).

The Group is of sound liquidity and solvency. Current ratio of the Group as at 31 December 2013 was 1.85 (2012: 1.73).

As at 31 December 2013, the Group's cash and cash equivalents amounted to RMB11,345,380,000 (2012: RMB8,616,773,000), which represented sufficient cash flow for operations.

Bank and other borrowings and debentures of the Group as at 31 December 2013 amounted to RMB20,841,696,000 (2012: RMB18,558,353,000), of which the long-term borrowings and debentures amounted to RMB12,716,845,000 (2012: RMB15,076,913,000), which were mainly used to meet the capital requirements of the Group's property development projects.

As at 31 December 2013, US\$89,040,000 (approximately RMB542,868,000) of the Group's bank borrowings came from Hong Kong and shall be repayable in U.S. Dollars.

As at 31 December 2013, the Group's net gearing ratio was 59% (2012: 99%). The net gearing ratio of the Group is calculated by the interest-bearing liabilities net of net cash and bank balances and divided by total owners' equity.

3. Changes in major subsidiaries, joint ventures and associates

During the year, Shenyang Capital Xinyun Real Estate Co., Ltd. (瀋陽首創新運置業有限公司), a subsidiary of the Group was incorporated in January 2013, and 100% of its equity interest were held by the Group.

During the year, Beijing Tiancheng Yongxin Real Estate Co., Ltd. (北京天城永信置業有限公司), a subsidiary of the Group was incorporated in February 2013, and 100% of its equity interest were held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, Tianjin Xinjing Investment Co., Ltd. (天津鑫景投資有限公司), a subsidiary of the Group was incorporated in June 2013, and 100% of its equity interest was held by the Group.

During the year, Beijing Tian Cheng Yongtai Zhi Ye Limited (北京天城永泰置業有限公司), a subsidiary of the Group was incorporated in June 2013, and 100% of its equity interest was held by the Group. The Group disposed 63% issued share capital in its subsidiary, Speed Plus Investments Limited which in turn disposed 100% issued share capital in its subsidiaries, Opal Treasure Holdings Limited, Fenson International Limited and 50% equity interest in Beijing Tian Cheng Yongtai Zhi Ye Limited (北京天城永泰置業有限公司). Upon Disposal, the Group held 68.5% of equity interests in Beijing Tian Cheng Yongtai Zhi Ye Limited (北京天城永泰置業有限公司).

During the year, Beijing Tian Cheng Yong Yuan Zhi Ye Limited (北京天城永元置業有限公司), a subsidiary of the Group was incorporated in June 2013, and 100% of its equity interest was held by the Group.

During the year, Beijing Chuangrui Xiang'an Real Estate Company Limited (北京創瑞祥安置業有限公司), a subsidiary of the Group was incorporated in December 2013, and 100% of its equity interest was held by the Group.

During the year, Shanghai Songchuang Real Estate Company Limited (上海松創置業有限公司), a subsidiary of the Group was incorporated in December 2013, and 100% of its equity interest was held by the Group.

During the year, the Group acquired 65.1% of the issued share capital of Juda International Holdings Limited (stock code:1329).

During the year, the Group disposed its entire equity interests in its subsidiaries, Outlets Property Investment Guang Dong Ltd. (奧特萊斯置業廣東有限公司), Guangdong Guansheng Real Estate Development Co. Ltd. (廣東冠昇置業有限公司), Guangdong Jingsheng Real Estate Development Co., Ltd. (廣東景盛置業有限公司) and Guangdong Rongxin Real Estate Development Co., Ltd. (廣東榮信置業有限公司).

During the year, the Group disposed its entire equity interests in Beijing Yongyuan Jintai Investment Co. Ltd. (北京永元金泰投資管理有限公司)(hereinafter "Yongyuan Jintai") and Beijing Xingtai Jicheng Real Estate Development Co., Ltd. (北京興泰吉成置業有限公司)(hereinafter "Xingtai Jicheng") to Kunshan Chuangbo Sheng Xin Equity Investment Centre (昆山創博盛信投資中心)(Limited Partnership), Kunshan Chuangbo Shun Xin Equity Investment Centre (昆山創博順信投資中心)(Limited Partnership), Kunshan Chuangbo Tong Ying Equity Investment Centre (昆山創博統贏投資中心)(Limited Partnership) and Kunshan Chuangbo Fu Xin Equity Investment Centre (昆山創博富信投資中心)(Limited Partnership) (hereinafter "Kunshan Chuangbo Fund") which is a wholly owned subsidiary established by Tianjin Tonghua Qiangyu Investment Management Co., Ltd. (天津通華強宇投資管理有限公司), as a general partner of the Fund. The Group holds 16.4% of the subordinated units in Kunshan Chuangbo Fund, and 40% voting rights of the investment strategy making committee. Kunshan Chuangbo Fund holds 100% equity interests in Yongyuan Jintai, Xingtai Jicheng and Tianjin Xingtai Jifeng Real Estate Company Limited (hereinafter "Xingtai Jifeng"). According to the partnership agreements, the Group and other partners jointly control the investment and operational strategy of Kunshan Chuangbo Fund, Yongyuan Jintai, Xingtai Jicheng and Xingtai Jifeng, and they are recognised as joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group holds 28.24% of the intermediate units in Zhuhai Hengqin Beijing Capital Land Guang He Cheng Equity Investment Fund (Limited Partner) (珠海橫琴首創光和城股權投資基金(有限合夥))(hereinafter “ZHHQ”) and 40% voting rights of the Zhuhai Hengqin Shou Ju Chuang Xin Equity Investment Fund Management Limited (珠海橫琴首創信股權投資基金管理有限公司). ZHHQ holds 100% equity interests in Chongqing Shou Yong Property Limited (重慶首永置業有限公司)(hereinafter “Chongqing Shou Yong”). According to the partnership agreement, the Group jointly controls the investment and operational strategy of Zhuhai Hengqin Fund and Shouyong Real Estate with other shareholders, thus these two companies have been classified as joint ventures.

During the year, the Group signed an equity transfer agreement on disposal of its entire equity interest in its subsidiary, Beijing Litong Shangyi Investment Company Limited (北京利通商宜投資有限公司), and the transaction has not completed.

4. Entrusted Deposits and Overdue Time Deposits

As at 31 December 2013, the Group did not have any deposits under trusts in financial institutions in the PRC and Hong Kong. All of the Group’s cash was held in commercial banks in the PRC and Hong Kong in accordance with applicable laws and regulations. The Group has no bank deposits which are not recoverable upon maturity.

5. Secured Borrowings

As at 31 December 2013, bank borrowings of RMB210,000,000 (2012: Nil) were pledged by guaranteed deposit.

As at 31 December 2013, bank borrowings of RMB3,052,133,000 (2012: RMB5,234,960,000) were secured by certain properties under development.

As at 31 December 2013, bank borrowings of RMB367,408,000 (2012: RMB362,877,000) were secured by fixed assets and the land use rights.

As at 31 December 2013, bank borrowings of RMB1,008,753,000 (2012: RMB800,000,000) were pledged by equity interests of subsidiaries held and guaranteed by the Group.

As at 31 December 2013, bank borrowings of RMB2,383,125,000 (2012: RMB2,562,496,000) were secured by the guarantee provided by the Group for its subsidiaries.

As at 31 December 2013, bank borrowings of RMB2,578,100,000 (2012: RMB573,900,000) were secured by the guarantee provided by the Group for its subsidiaries, and were pledged by certain properties under development of its subsidiaries.

As at 31 December 2013, bank borrowings of RMB864,538,000 (2012: Nil) were secured by guarantee provided by the Group for its subsidiaries and secured by construction cost arising from property under development by its subsidiaries and pledged by its corresponding income right.

As at 31 December 2013, bank borrowings of RMB212,021,000 (2012: Nil) were pledged by bank deposits of the Group.

As at 31 December 2013, bank borrowings of RMB87,500,000 (2012: RMB307,500,000) were pledged by equity interests and income right arising from primary land development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2013, bank borrowings of RMB5,000,000 (2012: Nil) were credit loans obtained by the Group.

As at 31 December 2013, debt investment plan of RMB2,000,000,000 (2012: Nil) were guaranteed by Capital Group.

As at 31 December 2013, trust loans of RMB996,000,000 (2012: RMB996,000,000) were secured by the receivables of the Group due from subsidiaries, and guaranteed by the Group; trust loans of RMB950,000,000 (2012: RMB1,248,600,000) were guaranteed by the Group; trust loans of RMB800,000,000 (2012: Nil) were guaranteed by Capital Group and the Group for its subsidiaries. Trust loans of RMB1,000,000,000 (2012: Nil) were guaranteed by Capital Group for the Group.

6. Corporate Bonds

As at 31 December 2013, there was no early redemption of the corporate bonds of RMB4,125,118,000 in value issued by the Group.

In February 2011, BECL Investment Holding Limited issued RMB1,150,000,000 bond with maturity of 3 years and coupon rate of 4.75% guaranteed by the Group.

In November 2012, Central Plaza Development Ltd. issued 3-year bond of RMB2,000,000,000 at a coupon rate of 7.6% per year, guaranteed by certain subsidiaries of the Group including International Financial Center Property Ltd.

7. Equity Instrument

In April 2013, Central Plaza Development Ltd. issued USD400,000,000 Senior Perpetual Capital Securities ("Securities") at an annual rate of 8.375%, guaranteed by certain subsidiaries of the Group including International Financial Center Property Ltd. The Securities have no maturity date and are redeemable at the option of the Issuer. The Securities are classified as equity in the financial statements.

In December 2013, Minsheng Royal Asset Management Co., Ltd. ("Minsheng") established a Specific Assets Management Plan and raised an amount of RMB2,200,000,000, the Group subscribed in subordinated units for RMB190,000,000. Since the Specific Assets Management Plan is set up for the financing need of its subsidiary as a specific purpose entity so it is consolidated. According to the terms of the Specific Assets Management Plan, the Group has no contractual obligations to repay principal to other investors under the Specific Assets Management Plan or interest, therefore the investment from Specific Assets Management Plan complied with definition of equity instrument. The Group realised minority interest at RMB2,010,000,000 in its consolidation.

8. Contingent Liabilities

The Group had arranged bank facilities for certain purchasers of its properties and provided guarantees to secure the repayment obligations of such purchasers. The outstanding balances of guarantees amounted to RMB3,198,457,000 as at 31 December 2013 (2012: RMB3,822,872,000).

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

As at 31 December 2013, other than guarantees provided for bank borrowings of RMB9,580,515,000 (2012: RMB6,280,996,000) and guarantee provided for the subsidiaries of the Group, BECL Investment Holding Limited and Central Plaza Development Ltd., for the issuance of corporate bonds of RMB3,150,000,000 (2012: RMB3,150,000,000) and USD400,000,000 Senior Perpetual Capital Securities (2012: Nil), the Group had no other material external guarantee.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The fourth session of the Board of Directors took effect on 5 December 2011 for a term of three years.

CHAIRMAN

Liu Xiaoguang (劉曉光), aged 59, has been appointed as an executive Director and the Chairman of the Company since December 2002. Mr. Liu has served as the vice-chairman and the general manager of The Capital Group since 1995. He has been appointed as the Chairman of the Capital Group since January 2013. Prior to his appointment with The Capital Group, Mr. Liu had approximately 13 years of working experience in various departments of the Beijing Municipal Government including serving as the vice-chairman of the Development and Planning Commission of the Beijing Municipality and deputy secretary general of the Capital Planning and Construction Committee of the Beijing Municipal Government. Mr. Liu has served as the Chairman of Beijing Capital Co., Ltd. (Stock Code: 600008) since 2000. Mr. Liu is also an Executive Director of New Environmental Energy Holdings Limited (Stock Code: 3989) and China Development Bank International Investment Limited (Stock Code: 1062) and Non-Executive Director of Juda International Holdings Limited (Stock Code: 1329) since December 2013. Currently, Mr. Liu is the visiting lecturer at Beijing Institute of Business and Beijing Jiaotong University. Mr. Liu obtained his Bachelor of Economics degree from the Beijing Institute of Commerce in 1982.

EXECUTIVE DIRECTORS

Tang Jun (唐軍), aged 54, has been appointed as an executive Director and the President of the Company since December 2002. Mr. Tang has worked for the Beijing Municipal Planning and Development Commission and the Beijing Economics and Technology Development Zone. From 1994 to 2004, Mr. Tang was the legal representative and general manager of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Tang has served as Chairman of Yang Guang Co., Ltd. (Stock Code: 000608) and Juda International Holdings Limited (Stock Code: 1329) since December 2013. Mr. Tang obtained his Bachelor of Construction Engineering degree from Hefei University of Technology in 1982.

Zhang Juxing (張巨興), aged 59, has been appointed as an executive Director of the Company since December 2008. Mr. Zhang has worked in the infrastructure office of Beijing Public Transport Corporation for seven years. Since 1993, Mr. Zhang has been serving as the department manager and deputy general manager of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Zhang was appointed as the vice-president of the Company in December 2002. Mr. Zhang graduated with a basic economy infrastructure degree from the People's University of China in 1989. During 2005 to 2007, he studied in Beijing University and obtained his Master Degree in Business Administration from the University of Northern Virginia.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Wang Hao (王灏), aged 46, has been appointed as a non-executive Director of the Company since September 2013. Mr. Wang is a senior economist, a Professor and a mentor for doctoral students. In January 2013, Mr. Wang joined The Capital Group as the deputy chairman and general manager. Prior to his appointment with The Capital Group, from 1990 to 2000, Mr. Wang had worked for Beijing Coal General Company and served as the deputy general manager in 1994. In 2000, he served as the deputy head of Beijing Offshore Financing and Investment Management Center. From 2001 to 2003, he served as the director and deputy general manager of Beijing State-owned Assets Management Co., Ltd. and Beijing Metro Group Company Ltd. From 2003 to 2009, he served as the deputy general manager, director and managing director of Beijing Infrastructure Investment Corporation Limited. From 2009 to 2013, he served as the deputy head of State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. Mr. Wang has served as Director of Beijing Capital Co., Ltd. (Stock Code: 600008) since September 2013 and non-executive director of Juda International Holdings Limited (Stock Code: 1329) since December 2013. Mr. Wang obtained his master degree in engineering at Fuxin Mining Institute in Liaoning in 1994 and a doctoral degree in economics at School of Economics Peking University in 2006.

Shen Jianping (沈建平), aged 56, has been appointed as a non-executive Director of the Company since September 2013. Mr. Shen is a Professor, a senior economist and an engineer. In 2005, Mr. Shen joined The Capital Group as the general manager officer and director. He also served as the director of Beijing Capital Co., Ltd. (Stock code: 600008) from December 2011 to September 2013. Prior to his appointment with The Capital Group, from 1982 to 1985, Mr. Shen taught at Peking University. From 1985 to 2005, he worked as the lecturer, ex-officio, secretary, director of the Political Department of Foreign Students School and acted as the political commissar of doctoral student force for PLA National Defense University. During the same period, Mr. Shen served as the peacekeeping military observer of United Nations Advance Mission in Cambodia, and the deputy national defense military officer of Chinese Embassy in Iraq. Mr. Shen obtained his master degree at Peking University in 1985.

Zhang Shengli (張勝利), aged 50, has been appointed as a non-executive Director of the Company since December 2011. Mr. Zhang had worked in the Planning Office and the Foreign Economic Cooperation Office of Beijing Material Bureau, and the Production Balance Office of Beijing Planning Commission from 1985 to 1993. From 1993 to 1996, Mr. Zhang had served as a manager of the Operation Department in Beijing International Power Development and Investment Company and a general manager of Beijing Material & Power Company. Mr. Zhang joined The Capital Group in January 1996, and he has served as the general manager of Beijing Production Materials Trading Company and Beijing Tengfei Technology Investment and Development Corporation, director and deputy general manager of Beijing Capital Group Trading Co. Ltd., and the chairman of the industry restructuring office of The Capital Group. Mr. Zhang has served as general manager of the department of operation management of The Capital Group since May 2010. Mr. Zhang obtained his bachelor degree in material management from Capital University of Economics and Business in 1985. He was a postgraduate student majoring Economics in the Graduate School of the Chinese Academy of Social Sciences from 1997 to 1999 and obtained the MBA degree from Guanghua School of Management of Peking University in 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Zhaojie (李兆杰), aged 58, is a professor of School of Law, Tsinghua University. Mr. Li has been appointed as an independent non-executive Director of the Company since December 2005. Mr. Li is the vice-president of the Chinese Society of International Law, the chief editor of the Chinese Yearbook of International Law. Mr. Li was a visiting professor at Duke University Law School in 2002 and University of Tokyo in 2003. Mr. Li is also the committee member of the 11th CPCC of Beijing City since 2008. Mr. Li obtained his Bachelor of Laws degree from Peking University in 1983, Master of Laws degree from the University of California in 1985, Master of Library Information Studies degree from the University of California in 1986 and Doctor of Juridical Sciences degree from the University of Toronto in 1996.

Ng Yuk Keung (吳育強), aged 49, has been appointed as an independent non-executive Director of the Company since December 2008. Mr. Ng worked with PricewaterhouseCoopers from 1988 to 2001. From 2004 to 2006, Mr. Ng was the deputy chief financial officer, the joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (Stock Code: 438). Mr. Ng is the vice-president, the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited (Stock Code: 1886) from 2006 to 2010. Mr. Ng is an independent non-executive director of Winsway Coking Coal Holdings Limited (Stock Code: 1733), Zhongsheng Group Holdings Limited (Stock Code: 881) and Sany Heavy Equipment International Holdings Company Limited (Stock Code: 631). Mr. Ng was the executive director and chief financial officer of China NT Pharma Group Company Limited (Stock Code: 1011) from March 2010 to June 2012. Mr. Ng is the Executive Director and chief financial officer of Kingsoft Corporation Limited (Stock Code: 3888) since March 2013. Mr. Ng graduated from the University of Hong Kong with a Bachelor degree in Management Studies and Economics and a Master degree in Global Business Management and E-commerce. Mr. Ng is a professional accountant and a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

Wang Hong (王洪), aged 49, has been appointed as an independent non-executive Director of the Company since December 2011. Mr. Wang is an associate professor of School of Economics and Management of Tsinghua University, a fellow and eminent member of the Royal Institution of Chartered Surveyors, a member of American Urban Land Institute, and a member of the experts' committee of China Institute of Real Estate Appraisers and Agents. From 1994 to 1996, Mr. Wang was a lecturer at National University of Singapore. From 1997 to 2000, Mr. Wang was the Group Property Manager of Global Operational Center (Singapore) of The East Asiatic Company Ltd. From 2000 to 2002, Mr. Wang was an associate professor of Institute of Real Estate Studies, School of Civil Engineering, Tsinghua University. Since 2002, Mr. Wang has been an associate professor of School of Economics and Management of Tsinghua University. From December 2009 to June 2011, Mr. Wang was an independent non-executive director of Shenzhen Capstone Industrial Co., Ltd. (Stock code: 000038). Mr. Wang obtained his Bachelor degree in architecture from Tianjin University in 1985, Master degree in architectural design from Tsinghua University in 1989, and Master degree in real estate development from Massachusetts Institute of Technology (MIT) in 1993.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Liu Yongzheng (劉永政), aged 45, has been appointed as a supervisor of the Company since December 2011. He worked as a teacher at the Social Science Faculty of Beijing Institute of Meteorology from 1990 to 1993. From 1993 to 2003, Mr. Liu had worked as a lawyer at Zhong Lun Law Firm, Li Wen Law Firm and J&J Law Firm in Beijing. Mr. Liu joined The Capital Group in August 2003, and served as the deputy general manager of audit and legal department, general manager of legal department and the General Counsel of The Capital Group. Mr. Liu has served as the general manager of the legal department, and the vice general manager as well as the General Counsel of The Capital Group since September 2011. Mr. Liu obtained the bachelor degree in Economic Law from Renmin University of China in 1990, and the Master of Laws degree from Temple University of the United States in 2001.

Fan Shubin (范書斌), aged 44, has been appointed as a supervisor of the Company since December 2011. He served as the head of the accounting department of China Nonferrous Metals Industry Technology Development Company Limited from May 1992 to February 1995. He served as the manager of the financial department of China Rare Earth Development Company from March 1995 to April 2002. He served as the general manager of the financial management department of Beijing Capital Co., Ltd. (stock code: 600008) from May 2002 to January 2010. He joined The Capital Group in February 2010 and has served as the deputy general manager of the planning and financial department. He obtained a Bachelor's Degree in accounting of industrial enterprises from North China University of Technology in 1991 and a MBA degree from Guanghua School of Management, Peking University in 2000.

Jiang Hebin (蔣和斌), aged 43, has been appointed as a supervisor of the Company since December 2011. He served as a project budget engineer of Beijing Central Iron & Steel Research Institute, a senior supervisor of the planning and consultation department of China Energy Conservation Investment Corporation, and a budget engineer of Beijing Sunshine Real Estate Development Comprehensive Development Company from 1993 to 2002. He joined the Company in December 2002 and served as a tendering supervisor of the department of operation management, a contractual budget manager, assistant to general manager and deputy general manager of Beijing Anhua Shiji Real Estate Development Company Limited, and a senior professional manager and the general manager of the cost control center subsequently. Mr. Jiang has served as the general manager of the risk control center of the Company since January 2011. Mr. Jiang obtained the bachelor degree in works pricing management from Jiangxi University of Science and Technology in 1993 and obtained the master degree in management science and engineering from the Graduate University of Chinese Academy of Sciences in 2007.

SECRETARY OF THE BOARD OF DIRECTORS

Hu Weimin (胡衛民), aged 49, was appointed as a secretary of the Board of Directors in August 2007 and was appointed as a vice president of the Company in December 2008. Starting from 1988, Mr. Hu had served in Beijing Shougang Corporation, China Shougang International Trade & Engineering Corp. and Beijing Certified Public Accountants Co. Ltd, mainly engaged in technological management, investment management and investment consultancy. He joined Capital Group in 1999 as the manager of the business department of Beijing Guanwei Investment Management and Consultancy Company. He joined the Company in 2002, and was appointed as an assistant president of the Company in December 2006. Mr. Hu obtained his master degree in engineering from Northeastern University in 1988.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Lee Sing Yeung, Simon (李聲揚), aged 45, was appointed as the Company Secretary of the Company in April 2008. Mr. Lee is a fellow of both The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants and a fellow member of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Lee has over 24 years of experience in accounting and financial management in Hong Kong and the PRC. Prior to joining the Company, he served as a qualified accountant and company secretary in companies listed on the GEM board and main board of The Stock Exchange of Hong Kong Limited. Mr. Lee has served as Company Secretary of Juda International Holdings Limited (Stock Code: 1329) since December 2013. Mr. Lee obtained a master degree of professional accounting and master degree of corporate governance from the Hong Kong Polytechnic University.

SENIOR MANAGEMENT

Zhang Fuxiang (張馥香), aged 52, senior accountant, was appointed as a vice president of the Company in March 2006. Ms. Zhang has been serving as financial manager, financial controller and supervisor of Yang Guang Co., Ltd. (Stock Code: 000608) and Beijing Sunshine Real Estate Comprehensive Development Company respectively and since 2000. Ms. Zhang served as the chief financial officer of the Company from December 2002 to March 2007. Ms. Zhang obtained her Bachelor of Economics degree from the financial accounting department of the People's University of China in 1985.

Luo Jun (羅俊), aged 41, was appointed as the vice president of the Company in December 2011. Mr. Luo has acted as the general manager of the Finance Department of the Company from October 2003 to February 2007. He was appointed as the chief financial officer and qualified accountant of the Company in February 2007. Prior to his appointment, Mr. Luo was senior manager of the auditing department in a domestic accounting firm. Mr. Luo is a member of Beijing Institute of Certified Public Accountants and is a certified public accountant in the PRC. Mr. Luo graduated from Beijing Jiaotong University. He obtained his Bachelor of Economics degree in 1993 and Master of Economics degree in 1996.

DIRECTORS' REPORT

The Board of Directors is pleased to present to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2013, prepared in accordance with China Accounting Standards for Business Enterprises and its financial position as at the same date are set out on pages 88 to 94 of the annual report.

DIVIDENDS

At a Board meeting held on 9 February 2014, the directors proposed a final dividend of RMB0.22 per share based on the Company's total issued number of shares of 2,027,960,000 on the same day and the total amount payable will be approximately RMB446,151,000. This proposed dividend is not represented as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2013.

CLOSURE OF REGISTER OF MEMBERS

(a) 2013 Annual General Meeting

The register of members will be closed from Saturday, 8 March 2014 to Friday, 14 March 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates of the H shareholders must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 7 March 2014.

(b) Proposed Final Dividend

The register of members will be closed from Thursday, 20 March 2014 to Wednesday, 26 March 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates of the H shareholders must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 19 March 2014. It is expected that the final dividend, if approved by shareholders at the forthcoming annual general meeting, will be paid on or before the end of June 2014.

DIRECTORS' REPORT

ENTERPRISE INCOME TAX WITHHOLDING OF OVERSEAS NON-RESIDENT ENTERPRISES

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "PRC") and other relevant implementation regulations which come into effect in 2008, the Company is required to withhold corporate income tax at the rate of 10% when it distributes the proposed 2013 final dividend to non-resident enterprises (as defined in the Corporate Income Tax Law of the PRC) whose names are registered on the H-share register of members of the Company at 4:30 p.m. on Wednesday, 26 March 2014. Such non-resident enterprises shall include HKSCC Nominees Limited.

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

OTHER RESERVES

Details of movements of other reserves of the Group and the Company during the year are set out in notes 5(30), 5(31) and 13(15) to the consolidated financial statements.

FINANCIAL HIGHLIGHTS AND FIVE YEAR FINANCIAL SUMMARY

The Group's results and summary of assets and liabilities for the last five years are set out on page 4 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 33.98% from its five largest suppliers and generated revenue less than 2.03% from its five largest customers. The Group's revenue generated from the largest customer accounted for less than 1% and purchased less than 15.18% from the largest supplier.

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

FIXED ASSETS

Details of the movement of fixed assets of the Group during the year are set out in note 5(11) to the consolidated financial statements.

PRINCIPAL PROPERTIES

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

DIRECTORS' REPORT

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

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

LONG TERM INCENTIVE FUND SCHEME

On 27 September 2007, the Company had adopted the long term incentive fund scheme (the "Scheme") which was subsequently amended on 25 September 2009. The Scheme is proposed to encourage the directors, supervisors, senior management and core staff members of the Company for closer ties of their personal interests with the interests of the Company and of the shareholders, as well as for alignment of their personal goals with the common goal of the Company.

As at 31 December 2013, the Scheme had through the trustee purchased 22,020,000 H shares, representing 2.16% of H shares and 1.09% of the entire issued share capital of the Company. The purchased shares have been held in trust by the trustee.

DIRECTORS AND SUPERVISORS

The directors and supervisors for the year are as follows:

Directors

Executive Directors

Mr. Liu Xiaoguang (*Chairman*)

Mr. Tang Jun (*President*)

Mr. Zhang Juxing

Non-executive Directors

Mr. Wang Hao (appointed on 17 September 2013)

Mr. Shen Jianping (appointed on 17 September 2013)

Mr. Feng Chunqin (retired on 17 September 2013)

Ms. Cao Guijie (retired on 17 September 2013)

Mr. Zhang Shengli

Independent Non-executive Directors

Mr. Li Zhaojie

Mr. Ng Yuk Keung

Mr. Wang Hong

Supervisors

Mr. Liu Yongzheng

Mr. Fan Shubin

Mr. Jiang Hebin

The biographical details of directors, supervisors and senior management are set out on pages 58 to 62 of the annual report.

DIRECTORS' REPORT

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER EMOLUMENTS

Details of directors, supervisors and chief executive officer emoluments are set out in note 7(5)(i) to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

During the year, the five individuals with the highest remuneration in the Group are all directors and senior management of the Company.

MANAGEMENT CONTRACTS

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

INTERESTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2013, none of the directors, supervisors and chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. None of the directors, supervisors and chief executive of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for equity or debt securities of the Company, nor had any of them exercised such rights during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the directors or supervisors or management shareholders has any interest in business which competes or may compete with the business of the Group under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' REPORT

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the changes in information of directors of the Company subsequent to the date of the 2013 Interim Report is set out below:

Mr. Liu Xiaoguang, Chairman and executive director of the Company has been appointed as non-executive director of Juda International Holdings Limited (Stock Code: 1329) since December 2013.

Mr. Tang Jun, President and executive director of the Company has been appointed as Chairman and executive director of Juda International Holdings Limited (Stock Code:1329) since December 2013.

Mr. Wang Hao, non-executive director of the Company has been appointed as director of Beijing Capital Co., Ltd. (Stock Code: 600008) since September 2013 and non-executive director of Juda International Holdings Limited (Stock Code: 1329) since December 2013.

Mr. Shen Jianping, non-executive director of the Company has retired as director of Beijing Capital Co., Ltd. (Stock Code: 600008) since September 2013.

SHARE CAPITAL

As at 31 December 2013, there was a total issued share capital of 2,027,960,000 shares of the Company (the "Shares") which include:

	Number of Shares	Approximate percentages of share capital
Domestic Shares	649,205,700	32.01%
Non-H Foreign Shares	357,998,300	17.65%
H Shares	1,020,756,000	50.34%

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2013, the following persons (not being director or chief executive of the Company), so far as is known to any director, had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentages in relevant class of shares (%)			Approximate percentages in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Capital Group	924,441,900 ⁽¹⁾	Non-listed Shares	30.88 (long position)	60.90 (long position)	91.78	15.34 (long position)	30.25 (long position)	45.58
Beijing Sunshine Real Estate Comprehensive Development Company	322,654,800 ⁽²⁾	Non-listed Shares	4.71 (long position)	27.33 (long position)	32.04	2.34 (long position)	13.57 (long position)	15.91
Beijing Capital Sunshine Real Estate Development Co., Ltd.	275,236,200 ⁽³⁾	Non-listed Shares	–	27.33 (long position)	27.33	–	13.57 (long position)	13.57
Beijing Capital Technology Investment Ltd.	172,006,700	Non-listed Shares	17.08 (long position)	–	17.08	8.48 (long position)	–	8.48
Beijing Shou Chuang Jian She Co., Ltd.	118,747,600	Non-listed Shares	11.79 (long position)	–	11.79	5.86 (long position)	–	5.86
China Resource Products Limited	275,236,200	Non-listed Shares	27.33 (long position)	–	27.33	13.57 (long position)	–	13.57
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	8.22 (long position)	–	8.22	4.08 (long position)	–	4.08
Feixi Holdings Limited	82,762,100 ⁽⁴⁾	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08
Brocade City Holdings Limited	82,762,100 ⁽⁵⁾	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08
Ngai Shu Susanna	82,762,100 ⁽⁶⁾	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08
Reco Pearl Private Limited	165,070,000	H Shares	16.17 (long position)	–	16.17	8.14 (long position)	–	8.14

DIRECTORS' REPORT

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentages in relevant class of shares (%)			Approximate percentages in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Recosia China Pte Ltd	165,070,000 ⁽⁷⁾	H Shares	- (long position)	16.17	16.17	- (long position)	8.14	8.14
Recosia Pte Ltd.	165,070,000 ⁽⁸⁾	H Shares	- (long position)	16.17	16.17	- (long position)	8.14	8.14
Government of Singapore Investment Corporation (Realty) Pte Ltd.	165,070,000 ⁽⁹⁾	H Shares	- (long position)	16.17	16.17	- (long position)	8.14	8.14
Templeton Asset Management Limited	101,622,000	H Shares	9.96 (long position)	-	9.96	5.01 (long position)	-	5.01

Notes:

- Of these 924,441,900 Shares, 311,032,800 Shares are directly held by Capital Group, the remaining 613,409,100 Shares are deemed corporate interests under the SFO indirectly held through Beijing Sunshine Real Estate Comprehensive Development Company, Beijing Capital Technology Investment Ltd., Beijing Shou Chuang Jian She Co., Ltd. and China Resource Products Limited.
- Of these 322,654,800 Shares, 47,418,600 Shares are directly held by Beijing Sunshine Real Estate Comprehensive Development Company, the remaining 275,236,200 Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.
- 275,236,200 non-listed Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.
- 82,762,100 Shares are deemed corporate interests under the SFO indirectly held through Yieldwell International Enterprise Limited.
- 82,762,100 Shares are deemed corporate interests under the SFO indirectly held through Yieldwell International Enterprise Limited and Fexi Holdings Limited.
- 82,762,100 Shares are deemed corporate interests under the SFO indirectly held through Yieldwell International Enterprise Limited, Fexi Holdings Limited and Brocade City Holdings Limited.
- 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited.
- 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited and Recosia China Pte Ltd.
- 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited, Recosia China Pte Ltd and Recosia Pte Ltd.

DIRECTORS' REPORT

Save as disclosed above, so far as is known to the directors, there was no person (other than a director or chief executive of the Company) who, as at 31 December 2013, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DESIGNATED DEPOSIT AND DUE FIXED DEPOSIT

As at 31 December 2013, the Group had no Designated Deposit and Due Fixed Deposit.

EMPLOYEES

As at 31 December 2013, the Group had 1,594 staff. Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include provident fund schemes, medical insurance scheme, unemployment insurance scheme and housing provident fund. The Company has conditionally adopted the Share Appreciation Rights Incentive Scheme (the "Incentive Scheme"). The principal terms and conditions of the Incentive Scheme are summarised in the section headed "Summary of terms of the Share Appreciation Rights Incentive Scheme" in Appendix VIII to the Prospectus of the Company dated 10 June 2003. As at 31 December 2013, no share appreciation rights had been granted under the Incentive Scheme.

The Group has also adopted the Long Term Incentive Fund Scheme (the "Long Term Incentive Fund Scheme"), details of which have been laid out in the Appendix of the Amendments to Notice of Extraordinary General Meeting of the Company dated 31 August 2007 and in the Amended Draft Long Term Incentive Fund Scheme of the Company dated 7 September 2007 and passed in the Extraordinary General Meeting held on 27 September 2007, The Long Term Incentive fund Scheme has further amended in 2009, details of which have been laid out in the Circular dated 4 September 2009 and approved in the Extraordinary General Meeting held on 25 September 2009.

STAFF HOUSING QUARTERS

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

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of connected and related party transactions of the Group are set out in note 7(4) to the consolidated financial statements.

LONG-TERM BORROWINGS

Details of the long-term borrowings of the Group are set out in note 5(26) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

SUBSIDIARIES

Details of the Company's significant subsidiaries are set out in note 4(1) to the consolidated financial statements.

POLICIES ON INCOME TAX

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

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 72 to 85.

PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements up to year ended 31 December 2010 were audited by PricewaterhouseCoopers. The financial statements for the year ended 31 December 2011 to 31 December 2013 have been audited by PricewaterhouseCoopers Zhong Tian LLP, who retire and being eligible, offer themselves for reappointment. A resolution reappointing PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Liu Xiaoguang
Chairman

Hong Kong, 9 February 2014

CORPORATE GOVERNANCE REPORT

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

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

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

The Board has reviewed its corporate governance practices and ensured that they are in compliance with the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in the year ended 31 December 2013.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding directors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board comprises 9 Directors, including three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors; the profile of each Director is set out on pages 58 to 62 under the section of Biographical Details of Directors, Supervisors and Senior Management. More than 50% of the Directors are non-executive directors and independent non-executive directors and independent of the management, thereby promoting critical review and control of the management process. The non-executive directors also bring a wide range of business and financial expertise to the Board, which contribute to the effective stewardship of the Group.

The Board held four physical Board meetings in 2013. Directors who cannot attend in person may participate through other electronic means of communication. Agenda to be discussed in Board meetings include business operation, financial planning and future strategic development of the Company. Due notice and relevant materials for the meeting were given to all directors prior to the meetings in accordance with the Company's articles of association and the Corporate Governance Code. Details of individual attendance of directors are set out in the following table:

Attendance of individual Directors at Board meetings in 2013:

	Number of attendance/ Number of meeting
<i>Executive Directors</i>	
Mr. Liu Xiaoguang (<i>Chairman</i>)	4/4
Mr. Tang Jun (<i>President</i>)	4/4
Mr. Zhang Juxing	4/4
<i>Non-executive Directors</i>	
Mr. Wang Hao (appointed on 17 September 2013)	1/1
Mr. Shen Jianping (appointed on 17 September 2013)	1/1
Mr. Feng Chunqin (retired on 17 September 2013)	3/3
Ms. Cao Guijie (retired on 17 September 2013)	3/3
Mr. Zhang Shengli	4/4
<i>Independent Non-executive Directors</i>	
Mr. Li Zhaojie	4/4
Mr. Ng Yuk Keung	4/4
Mr. Wang Hong	4/4

RESPONSIBILITIES OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

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

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

- (1) those requiring approval from the shareholders' general meeting:
 1. formulation of the middle to long-term development objectives and strategy of the Company;
 2. formulation of proposals for asset acquisition, purchase by third parties or asset disposal;
 3. formulation of plans for the increase or reduction of registered capital of the Company or repurchase of shares;
 4. formulation of plans for the increase of share capital and issue of additional shares;
 5. formulation of proposals for the merger, separation and dismissal of the Company;
 6. tendering insolvency petition of the Company;
 7. formulation of amendment proposal to the Company's article of association;
 8. formulation of proposals for the change of use of proceeds from the issue of shares.
- (2) those that may be exercised by the Board at its discretion:
 1. resolution on proposals to improve the operation management and operating results of the Company;
 2. resolution on the operating plans, audit plans and investment plans of the Company;
 3. resolution on proposals to adjust the substantial internal functions of the Company and establishment of functions under the Board;
 4. resolution on the establishment of ad hoc committees and the appointment and removal of their members;
 5. resolution on investment plans falling within the scope of authority of the Board;
 6. resolution on any other material operation issues not required to be resolved by shareholders' general meeting pursuant to the Articles or the rules set out herein.

CORPORATE GOVERNANCE REPORT

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

- (1) those requiring approval from the shareholders' general meeting:
 1. formulation of director allowance and incentive schemes such as share option or warrant (or similar schemes) of the Company;
 2. assessment and consideration of the eligibility of candidates for election as directors or independent directors;
 3. proposing for the removal of a director.
- (2) those that may be exercised by the Board at its discretion:
 1. resolution on the strategy and plan of human resources development and deployment;
 2. definition of the major duties and authorities of the general manager, responsible person for financial matters, secretary to the Board and the auditing department;
 3. appointment or dismissal of the general manager, secretary to the Board, or the appointment or dismissal of the deputy general manager or responsible person for financial matters of the Company pursuant to recommendation of the general manager;
 4. evaluation of the work performance of the general manager;
 5. approval of the appointment of representatives of the shareholders to the subsidiaries or associates of the Company and nomination of directors, supervisors and responsible persons for financial matters to such companies pursuant to their articles of association or the relevant agreements;
 6. approval of the plan of staff provident fund and other staff benefit plans.

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

- (1) supervision of the implementation of the Company's development strategy;
- (2) supervision and inspection of the implementation of annual budgets and accounts of the Company; inspection of the progress of various plans;
- (3) assessment of the operating results of the Company to identify operating problems, propose recommendations accordingly and supervision of the implementation by the Company's senior officers;
- (4) assessment of the operation improvement plans and implementation status of the Company and identify significant problems reflected from the operating results;

CORPORATE GOVERNANCE REPORT

- (5) identify difficulties faced by the Company in its development and changing trends of the Company and proposing remedial recommendations thereon;
- (6) deliberation of the development opportunities and risks faced by the Company and changes of external factors that have extensive effects on the Company;
- (7) ensuring the smooth communication of information within the Company and evaluation of such information to ensure its accuracy, completeness and timeliness;
- (8) requesting the management to provide minutes of operation meetings to the Secretary to the Board after each such meeting.

The Directors acknowledge their responsibility for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected suitable accounting policies and applied them consistently; made judgement that are prudent, fair and reasonable. The Directors are responsible for keeping proper accounting records and ensure the preparation of financial statements of the Group for the year under review are in accordance with statutory requirements and suitable accounting policies.

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

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

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

For the year ended 31 December 2013, the Board at all times complied the minimum requirements of the Listing Rules relating to the appointment of at least one-third of independent non-executive directors and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

The interests in the Company's securities held by Directors as at 31 December 2013 are disclosed in the Directors' Report on page 66 of this annual report.

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

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

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

A briefing session was organised for Directors in February 2013 to update the Directors on the new amendments to the inside information provisions of part XIVA of the Securities and Futures (Amendment) Ordinance. Also, briefings on the directors' duties were given to the newly appointed Directors.

During the year 2013, the Directors also participated in the following trainings:

Types of training

Executive Directors

Mr. Liu Xiaoguang (<i>Chairman</i>)	A/B/C
Mr. Tang Jun (<i>President</i>)	A/C
Mr. Zhang Juxing	A/C

Non-executive Directors

Mr. Wang Hao (appointed on 17 September 2013)	A/C
Mr. Shen Jianping (appointed on 17 September 2013)	A/C
Mr. Feng Chunqin (retired on 17 September 2013)	A/C
Ms. Cao Guijie (retired on 17 September 2013)	A/C
Mr. Zhang Shengli	A/C

Independent Non-executive Directors

Mr. Li Zhaojie	A/C
Mr. Ng Yuk Keung	A/C
Mr. Wang Hong	A/C

-
- A: attending seminars and/or conferences and/or forums
 B: giving talks at seminars and/or conferences and/or forums
 C: reading newspapers, journals and updates relating to the economy, general business, real estate or director's duties and responsibilities, etc.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

According to the Company's articles of association, the term of office for the Directors is three years and can be re-elected. The fourth session of the Board of Directors was formed on 5 December 2011 with 3-year term of office and can be re-elected.

CHAIRMAN AND PRESIDENT

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

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

CORPORATE GOVERNANCE REPORT

During the year under review, the Audit Committee held a total of two meetings. In the meetings, the Audit Committee reviewed the financial statements for the year ended 31 December 2012 and for the six months ended 30 June 2013, considered and approved the work of the auditors, reviewed the business and financial performance of the Company, considered the acquisitions of equity interests from connected parties by the Company and change of accounting policy for investment property and made recommendation to the board.

Attendance of individual members at Audit Committee meetings in 2013:

	Number of Attendance/ Number of Meeting
Mr. Ng Yuk Keung	2/2
Mr. Li Zhaojie	1/2
Mr. Wang Hong	2/2

The Group's results for the year ended 31 December 2013 have been reviewed by the Audit Committee with a recommendation to the Board for approval.

NOMINATION COMMITTEE

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

During the year under review, the Nomination Committee held two meetings for annual review of the current Board structure, assessment of the independence of independent non-executive directors, assessment of the candidate of Vice President, and chief financial officer and reviewing the Nomination Committee's procedural rules, and made recommendation to the board for the retirement of Mr. Feng Chunqin and Ms. Cao Guijie as non-executive director and the appointment of Mr. Wang Hao and Mr. Shen Jianping as non-executive director.

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

Attendance of individual members at Nomination Committee meeting in 2013:

	Number of Attendance/ Number of Meeting
Mr. Liu Xiaoguang	2/2
Mr. Li Zhaojie	2/2
Mr. Ng Yuk Keung	2/2

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Group's Remuneration Committee is responsible for providing recommendations to the Board regarding the Group's remuneration policy, the formulation and reviewing of the specific remuneration for the Group's Executive Directors and senior executives. Majority members of the Remuneration Committee are Independent Non-executive Directors. The committee is chaired by Mr. Li Zhaojie with two other members, namely, Mr. Wang Hao and Mr. Ng Yuk Keung.

During the year under review, the Remuneration Committee held one meeting to review the Long Term Incentive Fund Scheme and relevant matters, review the Remuneration Committee's procedural rules, and made recommendation to the board.

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

Attendance of individual members at Remuneration Committee meeting in 2013:

	Number of Attendance/ Number of Meeting
Mr. Li Zhaojie	1/1
Mr. Wang Hao (appointed on 17 September 2013)	0/0
Ms. Cao Guijie (retired on 17 September 2013)	1/1
Mr. Ng Yuk Keung	1/1

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

1. Policy

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

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

2. Non-executive Directors and Supervisors

Principle for Determining Remuneration

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

CORPORATE GOVERNANCE REPORT

3. Executive Directors

Components of Remuneration

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

(a) Basic Remuneration

The basic remuneration of executive directors accounts for about 70% of their total remuneration. Yearly reviews will be conducted, taking into account the competitive situations in the market, customary practice and personal performance.

(b) Yearly Gratuitous Payment

The amount of yearly gratuitous payment is determined based on the performances of the Company, functional departments and individual performance. The main performance-assessing standards include whether financial and operational targets can be achieved, and whether the individual has demonstrated key leadership skills like creating mutual objectives and nurturing talents.

The Company set a target yearly gratuitous payment for each executive director, which account for 30% of his total remuneration. Yearly gratuitous payment will only be granted when their performance reach satisfactory levels. The actual amount to be granted depends on individual performance.

The Company does not adopt any share option scheme.

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

STRATEGIC COMMITTEE

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

- adoption of corporate governance duties under the Code;
- adoption of new Corporate Governance Code of the Company modeled on the Code under the Listing Rules;
- review of the effectiveness of the internal controls and risk management systems of the Company; and
- formulate internal policy on inside information.

INTERNAL CONTROLS

One of the duties of the Board is to ensure the Group's sound and effective internal control system to safeguard the Group's assets and shareholders' interests. The Board is responsible for the Group's system of internal controls and has reviewed its effectiveness for the year ended 31 December 2013. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is independently conducted by the Centre for Risk Management on an on-going basis. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. The Centre for Risk Management reports to the Audit Committee twice each year on significant findings on internal controls. Copy of the minutes of the Audit Committee meeting is sent to the Board for information.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS

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

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

The amount of fee payable to PricewaterhouseCoopers Zhong Tian LLP for providing audit and audit related services and non-audit services for the year ended 31 December 2013 amounted to RMB5,900,000 and RMB1,525,000. The amount of fee payable to other audit firms for providing audit and audit related services for the year ended 31 December 2013 amounted to RMB1,894,192.

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHT

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

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

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

The Company's annual general meeting ("AGM") allows the Directors to meet and communicate with shareholders. The Company regards AGM as an important event in the corporate year and all Directors and senior management should make an effort to attend. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit, Remuneration and Nomination Committees and the external auditor should attend the AGM to answer questions from shareholders.

CORPORATE GOVERNANCE REPORT

During the year, the Company held two Extraordinary General Meetings on 17 September 2013 and 23 October 2013 respectively for approval of the retirement and appointment of non-executive directors and issuance of domestic corporate bonds. The 2012 AGM was held on 17 April 2013. The attendance records of the Directors at the general meetings are set out below:

	AGM and EGM attended/held
<i>Executive Directors</i>	
Mr. Liu Xiaoguang (<i>Chairman</i>)	3/3
Mr. Tang Jun (<i>President</i>)	3/3
Mr. Zhang Juxing	3/3
<i>Non-executive Directors</i>	
Mr. Wang Hao (appointed on 17 September 2013)	2/2
Mr. Shen Jianping (appointed on 17 September 2013)	2/2
Mr. Feng Chunqin (retired on 17 September 2013)	1/1
Ms. Cao Guijie (retired on 17 September 2013)	1/1
Mr. Zhang Shengli	3/3
<i>Independent Non-executive Directors</i>	
Mr. Li Zhaojie	3/3
Mr. Ng Yuk Keung	3/3
Mr. Wang Hong	3/3

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Articles of Association during the financial year 2013. A copy of the latest Articles of Association are posted on the websites of the Company and HKEX.

INVESTOR RELATIONS

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

The Group has issued a monthly newsletter on a regular basis since March 2009, the newsletter set out the latest project development and sales performance of the Group. The Group strives to maintain high transparency and to keep shareholders and the investment community abreast of its latest development and progress by dissemination of relevant corporate information on a timely basis through various channels including regular distribution of press releases. All this information is also available for downloading from the Group's website at <http://www.bjcapitalland.com>.

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

CORPORATE GOVERNANCE REPORT

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

For the year ended 31 December 2013, the Group participated in the following activities:

- 298 one-on-one investor meetings
- 13 corporate conferences
- 10 media conferences

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

On Behalf of the Board

Liu Xiaoguang

Chairman

Hong Kong, 9 February 2014

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year ended 31 December 2013, the Supervisory Committee of Beijing Capital Land Ltd. (the "Supervisory Committee"), have diligently performed their duties in ensuring that the Company has observed and complied with the Listing Rules, the Company Law of the PRC, the Articles of Association of the Company and other relevant legislations and regulations which protect the interests of the Company and its shareholders.

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

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

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

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2013 and has great confidence in the future of the Company.

By order of the Supervisory Committee

Liu Yongzheng

Chairman

Beijing, the PRC, 9 February 2014

AUDITOR'S REPORT

PwC ZT Shen Zi (2014) No. 10026

To the Shareholders of Beijing Capital Land Ltd.,

We have audited the accompanying financial statements of Beijing Capital Land Ltd. (hereinafter "BCL Company"), which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of BCL Company as at 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

9 February 2014

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2013 (All amounts in thousands of units of RMB unless otherwise stated)

	Note	31 December 2013 Consolidated	31 December 2012 Consolidated	31 December 2013 Company	31 December 2012 Company
Current assets					
Cash at bank and on hand	5(1);13(1)	11,345,380	8,616,773	800,899	400,751
Financial assets held for trading	5(2)	43,728	-	-	-
Notes receivable		1,714	-	-	-
Accounts receivable	5(3)(a);13(2)(a)	486,714	34,876	160	160
Advances to suppliers	5(4)	133,999	188,173	4,460	234
Interest receivable		3,893	545	-	-
Dividends receivable	5(5);13(4)	97,247	97,247	12,400	12,400
Other receivables	5(3)(b);13(2)(b)	3,326,858	3,107,251	15,157,523	12,079,717
Inventories	5(6);13(3)	29,646,484	23,921,240	44,076	44,076
Current portion of non-current assets	5(13)	768,512	-	-	-
Other current assets	5(7)	3,027,502	1,852,474	-	-
Total current assets		48,882,031	37,818,579	16,019,518	12,537,338
Non-current assets					
Available-for-sale financial assets	5(8);13(5)	149,258	200,653	149,258	162,583
Long-term receivables	5(13);13(6)	292,380	1,290,805	292,380	412,565
Long-term equity investments	5(9);13(7)	2,283,797	1,699,896	3,754,967	3,063,147
Investment properties	5(10);13(8)	3,488,709	5,674,242	1,958	1,958
Fixed assets	5(11);13(9)	503,635	466,656	64,285	68,343
Intangible assets	5(12)	52,017	41,651	-	-
Goodwill	5(14)	172,137	-	-	-
Long-term prepaid expenses		43,451	1,626	-	-
Deferred tax assets	5(28)(c);13(13)(c)	323,273	280,980	42,844	32,609
Other non-current assets	5(15)	-	61,400	-	61,400
Total non-current assets		7,308,657	9,717,909	4,305,692	3,802,605
TOTAL ASSETS		56,190,688	47,536,488	20,325,210	16,339,943
Current liabilities					
Short-term borrowings	5(17)	1,374,915	540,600	-	-
Notes payable		35,734	16,300	-	-
Accounts payable	5(18);13(10)	3,864,164	3,625,907	16,282	10,783
Advances from customers	5(19)	7,001,853	7,729,216	807	807
Employee benefits payable	5(20)	137,911	145,220	82,577	98,076
Taxes payable	5(21);13(14)	2,539,506	1,990,195	50,638	33,943
Interest payable		106,895	108,587	29,229	22,330
Dividends payable	5(22)	288,527	430,895	-	132,627
Other payables	5(23);13(11)	3,583,466	2,926,413	10,925,860	6,139,692
Current portion of non-current liabilities	5(24)	6,749,936	2,940,840	997,755	1,059,000
Other current liabilities	5(25)	782,500	1,368,668	-	-
Total current liabilities		26,465,407	21,822,841	12,103,148	7,497,258

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2013 (All amounts in thousands of units of RMB unless otherwise stated)

Note	31 December 2013 Consolidated	31 December 2012 Consolidated	31 December 2013 Company	31 December 2012 Company
Non-current liabilities				
Long-term borrowings	5(26);13(12) 10,739,313	10,968,893	3,210,000	2,468,000
Debentures payable	5(27) 1,977,532	4,108,020	-	994,716
Deferred tax liabilities	5(28)(c);13(13)(c) 779,952	633,723	-	-
Total non-current liabilities	13,496,797	15,710,636	3,210,000	3,462,716
Total liabilities	39,962,204	37,533,477	15,313,148	10,959,974
Owners' equity				
Paid-in capital	5(29) 2,027,960	2,027,960	2,027,960	2,027,960
Capital surplus	5(30);13(15) 2,112,388	2,226,409	1,322,838	1,332,831
Surplus reserve	5(31) 341,768	341,768	341,768	341,768
Undistributed profits	5(32) 4,219,571	3,022,039	1,319,496	1,677,410
Difference on translation of foreign currency financial statements	6,053	(1,615)	-	-
Total equity attributable to equity holders of the Company	8,707,740	7,616,561	5,012,062	5,379,969
Minority interest	5(33) 7,520,744	2,386,450	-	-
Total owners' equity	16,228,484	10,003,011	5,012,062	5,379,969
TOTAL LIABILITIES AND OWNERS' EQUITY	56,190,688	47,536,488	20,325,210	16,339,943

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

Legal representative:

Person in charge of accounting:

Head of accounting department:

CONSOLIDATED AND COMPANY INCOME STATEMENTS

For the year ended 31 December 2013 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Year ended 31 December 2013 Consolidated	Year ended 31 December 2012 Consolidated	Year ended 31 December 2013 Company	Year ended 31 December 2012 Company
Revenue	5(34);13(16)	11,320,840	9,134,054	125,644	135,401
Less: Cost of sales	5(34);13(16)	(7,555,512)	(6,160,338)	-	-
Taxes and surcharges	5(35)	(1,069,222)	(1,006,105)	(16,718)	(20,117)
Selling and distribution expenses		(342,544)	(278,207)	-	-
General and administrative expenses		(347,545)	(298,175)	(146,278)	(151,469)
Financial(expenses)/income - net	5(36);13(17)	(271,730)	93,727	(12,826)	56,642
Asset impairment losses	5(37)	-	(37,857)	-	-
Add: Profit arising from changes in fair value	5(40)	489,752	359,760	-	-
Investment income	5(41);13(18)	202,514	85,421	10,951	21,273
Including: Share of profit/(loss) of associates and joint ventures		99,153	47,171	(9,091)	20,284
Operating profit		2,426,553	1,892,280	(39,227)	41,730
Add: Non-operating income	5(38)	256,023	22,456	-	-
Less: Non-operating expenses	5(39)	(58,384)	(15,750)	(268)	(803)
Including: Losses on disposal of non-current assets		(5)	(5)	-	-
Total profit		2,624,192	1,898,986	(39,495)	40,927
Less: Income tax expenses	5(43);13(19)	(710,469)	(565,323)	6,055	(8,647)
Net profit/(loss)		1,913,723	1,333,663	(33,440)	32,280
Attributable to equity holders of the Company		1,522,006	1,110,925	N/A	N/A
Minority interest		391,717	222,738	N/A	N/A
Earnings per share for profit attributable to the equity holders of the Company	5(44)				
Basic earnings per share (RMB Yuan)		0.75	0.55	N/A	N/A
Diluted earnings per share (RMB Yuan)		0.75	0.55	N/A	N/A
Other comprehensive income	5(45)	(86,184)	1,344,817	(9,993)	28,966
Total comprehensive income		1,827,539	2,678,480	(43,433)	61,246
Attributable to equity holders of the Company		1,435,822	2,455,742	N/A	N/A
Minority interest		391,717	222,738	N/A	N/A

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

Legal representative:

Person in charge of accounting:

Head of accounting department:

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 31 December 2013 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Year ended 31 December 2013 Consolidated	Year ended 31 December 2012 Consolidated	Year ended 31 December 2013 Company	Year ended 31 December 2012 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		11,035,257	9,161,846	125,644	134,584
Cash received relating to other operating activities		1,709,636	65,586	4,701,287	1,640,212
Sub-total of cash inflows		12,744,893	9,227,432	4,826,931	1,774,796
Cash flows from operating activities (continued)					
Cash paid for goods and services		(14,988,445)	(6,656,000)	-	-
Cash paid to and on behalf of employees	5(20)	(322,281)	(294,810)	(71,717)	(60,388)
Payments of taxes and surcharges		(1,200,281)	(1,506,752)	(4,836)	(38,231)
Cash paid relating to other operating activities		(691,806)	(944,510)	(3,606,331)	(2,581,623)
Sub-total of cash outflows		(17,202,813)	(9,402,072)	(3,682,884)	(2,680,242)
Net cash flows from operating activities	5(46)(a);13(20)(a)	(4,457,920)	(174,640)	1,144,047	(905,446)
Cash flows from investing activities					
Cash received from disposal of investments		48,163	96,544	-	17,059
Cash received from returns on investments		772	60,172	772	1,540
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		145,598	655	-	-
Net cash received from disposal of subsidiaries		914,889	-	82,010	-
Net cash received from purchase of subsidiaries		-	90,767	-	-
Cash received relating to other investing activities		1,152,052	58,228	906,503	32,391
Sub-total of cash inflows		2,261,474	306,366	989,285	50,990
Cash flows from investing activities (continued)					
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(546,662)	(798,839)	(1,140)	(2,731)
Cash paid to acquire investments		(429,520)	(128,500)	(539,520)	(205,500)
Net cash paid for disposal of subsidiaries	4(2)	(271,487)	-	-	-
Net cash paid to acquire subsidiaries and other business units		(277,271)	(185,770)	(180,000)	-
Cash paid relating to other investing activities		(364,265)	(2,170,368)	-	(96,675)
Sub-total of cash outflows		(1,889,205)	(3,283,477)	(720,660)	(304,906)
Net cash flows from investing activities		(372,269)	(2,977,111)	268,625	(253,916)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 31 December 2013 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Year ended 31 December 2013 Consolidated	Year ended 31 December 2012 Consolidated	Year ended 31 December 2013 Company	Year ended 31 December 2012 Company
Cash flows from financing activities					
Cash received from capital contributions		4,449,439	352,208	-	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		2,000	352,208	-	-
Cash received from senior perpetual securities issued by subsidiaries	5(33)(a)	2,437,439	-	-	-
Cash received from specific management plan issued by subsidiaries	5(33)(b)	2,010,000	-	-	-
Cash received from borrowings		10,809,402	12,286,169	3,210,000	1,850,000
Proceeds from disposal of minority interest in subsidiaries		892,717	-	-	-
Sub-total of cash inflows		16,151,558	12,638,377	3,210,000	1,850,000
Cash repayments of borrowings		(7,439,140)	(6,294,366)	(3,527,000)	(1,003,000)
Cash payments for interest expenses and distribution of dividends and profits		(2,033,359)	(2,352,077)	(691,765)	(550,922)
Cash paid to acquire shares in subsidiaries from minority shareholders		(161,267)	(761,639)	-	-
Sub-total of cash outflows		(9,633,766)	(9,408,082)	(4,218,765)	(1,553,922)
Net cash flows from financing activities		6,517,792	3,230,295	(1,008,765)	296,078
Effect of foreign exchange rate changes on cash and cash equivalents		(20,755)	22,825	(3,759)	(2,046)
Net increase/(decrease) in cash	5(46)(b);13(20)(b)	2,411,386	101,369	400,148	(865,330)
Add: Cash at beginning of year	5(46)(b);13(20)(b)	8,076,269	7,974,900	400,751	1,266,081
Cash at end of year	5(46)(b);13(20)(b)	10,487,655	8,076,269	800,899	400,751

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

Legal representative:

Person in charge of accounting:

Head of accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2013 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Attributable to equity holders of the Company				Difference on translation of foreign currency financial statements	Minority interest	Total owners' equity
		Paid-in capital	Capital surplus	Surplus reserves	Undistributed profits			
Balance at 1 January 2012		2,027,960	1,081,696	338,540	2,299,654	2,638	2,560,830	8,311,318
Movement for the year ended 31 December 2012								
Net profit		-	-	-	1,110,925	-	222,738	1,333,663
Other comprehensive income	5(45)	-	1,349,070	-	-	(4,253)	-	1,344,817
Capital contribution and withdrawal by owners, including:								
Capital contribution by owners		-	-	-	-	-	352,208	352,208
Others		-	(204,357)	-	-	-	(580,406)	(784,763)
Profit distribution to equity owners	5(32)	-	-	-	(385,312)	-	(168,920)	(554,232)
Appropriation of surplus reserve	5(31)	-	-	3,228	(3,228)	-	-	-
Balance at 31 December 2012		2,027,960	2,226,409	341,768	3,022,039	(1,615)	2,386,450	10,003,011
Balance at 1 January 2013		2,027,960	2,226,409	341,768	3,022,039	(1,615)	2,386,450	10,003,011
Movement for the year ended 31 December 2013								
Net profit		-	-	-	1,522,006	-	391,717	1,913,723
Other comprehensive income	5(45)	-	(93,852)	-	-	7,668	-	(86,184)
Capital contribution and withdrawal by owners, including:								
Capital contribution by owners		-	-	-	-	-	2,000	2,000
Senior perpetual bonds issued by subsidiary	5(33)	-	-	-	-	-	2,333,945	2,333,945
Investment absorbed from specific capital management plan issued by subsidiary	5(33)	-	-	-	-	-	2,010,000	2,010,000
Others		-	(20,169)	-	-	-	425,400	405,231
Profit distribution to equity owners	5(32)	-	-	-	(324,474)	-	(28,768)	(353,242)
Appropriation of surplus reserve	5(31)	-	-	-	-	-	-	-
Balance at 31 December 2013		2,027,960	2,112,388	341,768	4,219,571	6,053	7,520,744	16,228,484

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

Legal representative:

Person in charge of accounting:

Head of accounting department:

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2013 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Attributable to equity holders of the Company				Total owners' equity
		Paid-in capital	Capital surplus	Surplus reserves	Undistributed profits	
Balance at 1 January 2012		2,027,960	1,303,865	338,540	2,033,670	5,704,035
Movement for the year ended 31 December 2012						
Net profit		-	-	-	32,280	32,280
Other comprehensive income		-	28,966	-	-	28,966
Profit distribution to equity owners	5(32)	-	-	-	(385,312)	(385,312)
Appropriation of surplus reserve	5(31)	-	-	3,228	(3,228)	-
Balance at 31 December 2012		2,027,960	1,332,831	341,768	1,677,410	5,379,969
Balance at 1 January 2013		2,027,960	1,332,831	341,768	1,677,410	5,379,969
Movement for the year ended 31 December 2013						
Net loss		-	-	-	(33,440)	(33,440)
Other comprehensive income		-	(9,993)	-	-	(9,993)
Profit distribution to equity owners	5(32)	-	-	-	(324,474)	(324,474)
Appropriation of surplus reserve	5(31)	-	-	-	-	-
Balance at 31 December 2013		2,027,960	1,322,838	341,768	1,319,496	5,012,062

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

Legal representative:

Person in charge of accounting:

Head of accounting department:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

1. GENERAL INFORMATION

Beijing Capital Land Ltd. (hereinafter “the Company”) was established by seven companies on 23 July 2002, namely Beijing Capital Group Ltd. (hereinafter “Capital Group”), Beijing Sunshine Real Estate Comprehensive Development Company (hereinafter “Sunshine Comprehensive”), Beijing Capital Sunshine Real Estate Development Co., Ltd. (hereinafter “Capital Sunshine”), Beijing Capital Technology Investment Co., Ltd. (hereinafter “Capital Technology”), Beijing Capital Hangyu Economic Development Co., Ltd. (change to “Beijing Capital Development Co., Ltd.” afterwards, hereinafter “Capital Development”), China Resource Products Limited (hereinafter “China Resource”) and Yieldwell International Enterprise Limited (hereinafter “Yieldwell International”) (hereinafter “the promoters”).

The Company was registered on 5 December 2002 in Beijing with total share capital of RMB1,100,000,000 at RMB1 per share. The Company issued 513,300,000 shares on the Main Board of the Stock Exchange of Hong Kong Limited (hereinafter “H-shares”) in June 2003. And 51,330,000 shares were transferred to public by some promoters from state-owned shares and state-owned entities shares.

On 27 January 2005, the Company placing 112,926,000 H-shares (RMB1 per share), of which, 102,660,000 shares were newly issued, and 10,266,000 shares were transferred to public by some promoters from state-owned shares and state-owned entities shares.

On 26 October 2006, the Company placing 343,200,000 H-shares (RMB1 per share), of which, 312,000,000 shares were newly issued, and 31,200,000 shares were transferred to public by some promoters from state-owned shares and state-owned entities shares.

On 30 December 2008, Capital Sunshine, one of the Company’s promoters, disposed 14.11% share of the Company to Capital Group. After the transaction, Capital Group directly holds 15.34% interests of the Company.

The parent company and the ultimate parent company of the Company is Capital Group.

The company and its subsidiaries (hereinafter “the Group”) are principally engaged in the real estate development and investment, hotel operation and property consulting services and investment holding, in the People’s Republic of China (hereinafter “the PRC”).

These consolidated financial statements were approved for issue by the Board of Directors on 9 February 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1). Basis of preparation

The consolidated financial statements have been prepared in accordance with the Basis Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereinafter “the Accounting Standards for Business Enterprises” or “CAS”).

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

The consolidated financial statements of the Company for the year 2013 truly and completely present the financial position as of 31 December 2013 and the operating results, cash flows and other information for the year then ended of the Group and the Company in compliance with the Accounting Standards for Business Enterprises.

(3). Accounting year

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

(4). Recording currency

The recording currency of the Company and most subsidiaries is Renminbi (RMB). The recording currency of SAS Datang Weiye Holdings Co., Ltd (hereinafter “SAS Datang Weiye”) and the subsidiaries located in France is Euro (EUR). The recording currency of Juda International Holdings Ltd. (hereinafter “Juda International”) and some subsidiaries located outside Mainland China is Hong Kong dollar (HKD).

(5). Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(5). Business combinations *(Continued)*

(b) Business combinations involving enterprises not under common control

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

For a business combination achieved in stages on the separate financial statements, the initial cost shall be the summation of the book value of the previously held interest before the acquisition date and the additional investment cost at the acquisition date. On the consolidated financial statements, the previously held interest is remeasured to fair value at the acquisition date and the gain or loss is recognised in the income statement. When control is obtained, reserves held in equity that related to the previously held interest would be recycled through profit and loss. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity in the acquiree, over the fair value of the identifiable net assets acquired is recorded as goodwill.

Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

(6). Preparation of consolidated financial statements

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

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

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to the Company are recognised as minority interests and presented separately in the consolidated financial statements within equity and net profits respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(7). Cash

Cash comprise cash on hand and call deposits with banks.

(8). Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9). Financial instruments

(a) Financial assets

(i) Classification of financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

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

(ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument, transaction costs that are attributable to the acquisition of receivables and available-for-sale financial assets are included in their initial recognition amounts.

Available-for-sale financial assets are subsequently measured at fair value, and they are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables are measured at amortised cost using the effective interest method.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(9). Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group shall determine the amount of impairment loss.

Objective evidence indicating impairment of financial assets is an event that actually occurred after the initial recognition of financial assets and influence the estimated future cash flows of financial assets of which the Group could reliably measured.

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

Objective evidence of impairment on available-for-sale investments includes that the fair value of those equity instruments is exposed to significant or prolonged decline. The Group assesses the carrying amount of available-for-sale equity instruments separately at each balance sheet date. If the fair value of the equity instrument falls below 50% (included) its initial investment cost or the decline lasts more than one year (included), the impairment occurs; if the fair value of the equity instrument declines more than 20% (included) but not beyond 50%, the Group will take other relevant factors into consideration, such as price fluctuations to judge whether the impairment occurs.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(9). Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(iv) Derecognition of financial assets

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

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

(b) Financial liabilities

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

Payables include accounts payables and other payables which are initially recognised at fair value and recorded at amortised cost using effective interest rate in subsequent measurement.

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

Other financial liabilities with repayment period within 1 year (including 1 year) are stated as current liabilities; other financial liabilities with repayment period over 1 year but repayment date within 1 year from balance sheet date are stated as current portion of non-current liabilities; others are stated as non-current liabilities.

When the present liabilities of financial liability have been entirely or partially released, the financial liability or released part of financial liability should be de-recognised, and the difference between carrying value and the price of the released part is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(9). Financial instruments *(Continued)*

(c) Determination of fair value of financial instrument

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis, etc. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on entity-specific inputs.

(d) Offsetting of financial assets and liabilities

Financial assets and liabilities should be presented separately in balance sheets. A financial asset and a financial liability should be offset when, and only when, both of the following conditions are satisfied:

- (i) The entity currently has a legally enforceable right to set off the recognised amounts and the legal enforcement is now executable.
- (ii) The entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(10). Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

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

Receivables that are not individually significant and those receivables that have been individually evaluated for impairment and have been found not impaired are combined into certain groups based on their credit risk characteristics. The impairment losses are determined based on the historical loss experience for the groups of receivables with the similar credit risk characteristics and taking into consideration of the current circumstances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(11). Inventories

(a) Classification

Inventories include properties under development, properties held for sale, chemical raw materials, work in progress, finished goods and low value consumables, and are presented at the lower of cost and net realisable value.

(b) Measurement of inventories

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

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

The costs of chemical raw materials, work in progress and finished goods are determined using the weighted average method, the costs of which comprise raw materials, direct labor, and systematically allocated production overhead based on normal production capacity.

(c) Basis for determining net realizable values of inventories and method for making provision for decline in the value of inventories.

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

(d) The Group adopts the perpetual inventory system.

(e) Low value consumables are expensed when issued.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(12). Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates, as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

Subsidiaries are the investees over which the Company is able to exercise control; joint ventures are the investees over which the Group is able to exercise joint control together with other ventures; associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method. Other long-term equity investments, where the Group does not have control, joint control or significant influence over the investee, which are not quoted in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method.

(a) Measurement of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(12). Long-term equity investments *(Continued)*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(12). Long-term equity investments *(Continued)*

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

Control is the power to govern the investees' financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of all the parties sharing control.

Significant influence is the power to participate the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investment

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

For other long-term equity investments which are not quoted in an active market and whose fair values cannot be reliably measured, the excess of their carrying amounts over the present values of future cash flows discounted at the prevailing market yield rate for similar financial assets is recognised as impairment loss and cannot be reversed once recognised.

(13). Jointly controlled operations

Jointly controlled operations are operations with a contractual arrangement, whereby the Group and other parties undertake an economic activity without the establishment of a corporation, partnership nor any other kinds of separate financial or legal structure. These operations are subject to joint control and none of the participating parties has unilateral control over the economic activity. In respect of its interest in jointly controlled operations, the Group recognises in the financial statements: (a) assets and liabilities that the Group controls and incurs. (b) the expenses that the Group incurs and its share of the income that it earns from the sale of goods or services by the operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(14). Investment properties

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

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

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

Depreciation or amortisation will no longer be provided for in the Group's accounts for investment properties measured at fair value. Investment properties will be valued as at the balance sheet date and its carrying amount will be adjusted accordingly. The difference between the fair value and the carrying amount will be charged to the current profit and loss account of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(14). Investment properties *(Continued)*

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

For investment properties under construction measured at cost, land use rights are amortized to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual amortization rates of land rights are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation (amortisation) rate
Land use rights	40 years	–	2.5%

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

The carrying amount of an investment property measured at cost is reduced to the recoverable amount if the recoverable amount is below the carrying amount (note 2 (19)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(15). Fixed assets

(a) Recognition and initial measurement

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

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

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

(b) Depreciation methods of fixed assets

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

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	10-40 years	0% to 10%	2.3% to 10.0%
Machinery and equipment	5-20 years	0% to 10%	4.5% to 20.0%
Motor vehicles	5-10 years	0% to 10%	9.0% to 20.0%
Office equipment	3-10 years	0% to 10%	9.0% to 33.3%

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(15). Fixed assets *(Continued)*

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

(d) Disposal of fixed assets

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

(16). Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of investment properties or real estate projects that need a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of the asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(17). Intangible assets

Intangible assets include land use rights and are measured at cost. The cost of land use rights obtained for construction of real estate projects, are recognised in inventory development costs.

(a) Land use rights

Land use rights are amortised over the useful life of 50 years. If the purchase costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the purchase costs are recognised as fixed assets.

(b) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year end.

(c) Impairment of intangible assets

When the recoverable amount of an intangible asset is less than its carrying value, the carrying value should be written down to the recoverable amount (note 2(19)).

(18). Long-term prepaid expenses

Long-term prepaid expenses include expenditures that have been made but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(19). Impairment of long-term assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(19). Impairment of long-term assets *(Continued)*

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

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

(20). Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Employees of the Group participate in the defined contribution pension plan set up and administered by government authorities. Based on salaries of the employees, basic pensions are provided for monthly according to stipulated proportions (20%), which is paid to local labour and social security institutions. Apart from this, the Group has no other post-retirement benefit commitments.

The Group provides a pension scheme, which is established under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,250 (HKD1,000 before 1 June 2012). The assets of this pension scheme are held separately from those of the Group in independently administered funds.

Employee benefits are recognised as salaries and wages payable in the accounting period in which an employee has rendered service, as costs of assets or expenses to whichever the employee service is attributable.

(21). EQUITY INSTRUMENTS

Financial instruments issued by the Group are classified as equity instruments when all the following conditions have been satisfied:

1. The financial instruments have no contracted obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavorable circumstance;
2. The financial instruments will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a fixed number of its own equity instruments; if the financial is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(21). EQUITY INSTRUMENTS *(Continued)*

Financial instruments classified as equity instruments on the consolidated financial statements issued by subsidiaries, should be presented as minority interests on the Group's consolidated financial statements.

(22). Distribution of dividends

The amount of cash dividends proposed to distribute is recognised as a liability in the current period in which it is approved by general meeting of shareholders.

(23). Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and returns.

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

(a) Sale of goods

- (i) Revenue of sale of properties held for sale is recognised when all the following conditions have been satisfied:
 - properties are completed and accepted after check;
 - a legally binding sales contract has been signed in proper manner and form;
 - all the significant risks and rewards of ownership of the properties held for sale have been transferred to the buyer;
 - the Company does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the sold properties and meet the other criteria required when recognising revenue mentioned above.
- (ii) The Group produces chemical products and sells to distributors around. The Group transports the chemical products to the agreed delivery place according to the contract. When distributors confirm the products reception, the Group recognizes revenue. Distributors have the right to sell chemical products on their own and take the risk of price fluctuation or product damage.

(b) Rendering of services

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

(c) Transfer of asset use rights

Interest income is recognised on a time-proportion basis using the effective interest method.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(24). Government grants

Government grants are monetary or non-monetary assets obtained from the government with no consideration, including tax returns and financial subsidies.

Grants from the government are recognised as revenue where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Monetary assets of the government grants are measured as the amount received or receivable. Non-monetary assets of the government grants are measured as fair value or notional value if the fair value cannot be obtained reliably.

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

Government grants related to assets are recognised as deferred revenue and will be amortised on a straight-line basis in profit or loss over the useful life of the related assets. Government grants recognised at notional value are directly recognised in profit or loss for the current period.

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

(25). Deferred tax assets and deferred tax liabilities

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

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(25). Deferred tax assets and deferred tax liabilities *(Continued)*

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

(26). Leases

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

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

(27). Maintenance and quality guarantee funds

Maintenance fund is collected from property buyers according to related regulations on behalf of housing administration bureau, by certain percentage of selling price of property, the fund will be remitted to housing administration bureau upon registration of property ownership.

Quality guarantee fund is reserved by certain percentage of the project payment and payment will be repaid to constructor when the properties are completed, in condition that examined by government authorities with no quality issue, and after the agreed warranty period.

(28). Held for sale and discontinued operations

A non-current asset or a component of the Group satisfying the following conditions is classified as held for sale: (1) the Group has made a resolution for disposal of the non-current asset or the component; (2) an irrevocable contract with the transferee has been signed and; (3) the transfer will be completed within one year.

Non-current assets, except for financial assets and deferred tax assets, that meet the recognition criteria for held for sale are included in other current assets at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognised as an asset impairment loss.

Discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished from other components within the Group in business operation and in preparation of financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(29). Segment information

The Group identifies operating segments based on the internal organisation, management requirements and internal reporting system, and the reportable segments is determined based on the operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its operation activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(30). Purchase shares in subsidiaries from non-controlling shareholders and partial disposal of interest in a subsidiary without loss of control

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(31). Critical accounting estimates and judgments

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

(a) Critical accounting estimates and key assumptions

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

(i) Property development cost

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

(ii) Taxes

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

(iii) Impairment of assets

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in note 2(19). If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows.

(iv) Provision for bad debts of receivables

The Group tests annually whether receivables suffer any impairment in accordance with the accounting policy stated in note 2(10). If there is objective evidence that the Group will not be able to collect the full amount under the original terms, provision for bad debts of the receivable and impairment loss are recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(31). Critical accounting estimates and judgments (Continued)

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

(v) Deferred tax assets

Judgment for whether deductible temporary differences and deductible losses can be reversed in future is required from the Group in recognising deferred tax assets. For deductible temporary losses, the Group recognizes deferred tax assets to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

(vi) Fair value of investment properties

The Group adopts fair value model for subsequent measure of investment properties and obtains independent valuations for its investment properties at least annually from an independent professional valuer as a third party. The fair value is determined in accordance with the methods below:

Current prices (open market quotations) in an active market for the same or similar investment properties;

When such information above is not available, then use recent prices in an active market of the same or similar investment property, adjusted to reflect differences in situations, dates and locations of transactions, etc.;

Discounted cash flow projections based on reliable estimates of rental income and future cash flows.

(vii) Provision for decline in the value of inventories

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

(viii) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates.

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of goodwill previously recognised is not allowed to be reversed by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(31). Critical accounting estimates and judgments *(Continued)*

(b) Key Judgment on application of accounting policy – revenue recognition

According to the accounting policy stated in note 2(23), the assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer point of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 10, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. The Group believes that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

3. TAXATION

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

Type	Tax rate	Taxable base
Enterprise income tax	25% 5%-10%	Taxable income of subsidiaries based in PRC Income from taxable dividends of non-resident enterprises in the Mainland and investments disposed in mainland China
Business tax	5%	Taxable turnover amount
LAT	30%-60%	Taxable value added amount through sales of properties
City maintenance and construction tax	5%-7%	Amount of business tax paid
Education Surcharge	3%	Amount of business tax paid
Property Taxes	1.2%	Taxable residual value of properties

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT

(1). Significant subsidiaries

(a). Subsidiaries incorporated by promoters at establishment of the Company

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2013	31 December 2012	31 December 2013		31 December 2012		31 December 2013		31 December 2012	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(1) Central Plaza Real Estate Development Co., Ltd. ("Central Company")	Beijing, the PRC	Property Development and Investment	-	USD 11,258,000	USD 11,258,000	75	25	75	25	75	25	75	25
(2) Beijing Rongjin Real Estate Development Co., Ltd. ("Rongjin Company")	Beijing, the PRC	Property Development and Investment	-	USD 6,360,000	USD 6,360,000	10	49.5	10	49.5	10	49.5	10	49.5
(3) Beijing Sunshine Jindu Properties Co., Ltd. ("Jindu Company")	Beijing, the PRC	Property Development and sales	-	RMB 370,000,000	RMB 370,000,000	100	-	100	-	100	-	100	-
(4) Central Plaza Development Ltd. ("Central Plaza")	B.V.I	Investment Holding	RMB 2,000,000,000 USD 400,000,000	USD1	USD1	100	-	100	-	100	-	100	-
(5) International Finance Center Property Co., Ltd. ("IFC")	B.V.I	Investment Holding	-	USD1	USD1	100	-	100	-	100	-	100	-

(b). Subsidiaries obtained from business combinations involving enterprises not under common control

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2013	31 December 2012	31 December 2013		31 December 2012		31 December 2013		31 December 2012	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(1) S.C. Real Estate Development Co., Ltd. ("S.C.")	Beijing, the PRC	Property Development and sales	-	RMB 640,000,000	RMB 640,000,000	100	-	100	-	100	-	100	-
(2) Beijing HYHL Real Estate Development Co., Ltd. ("HYHL")	Beijing, the PRC	Property Development and sales	-	USD 10,000,000	USD 10,000,000	-	100	-	100	-	100	-	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

(b). Subsidiaries obtained from business combinations involving enterprises not under common control (Continued)

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held				
				31 December 2013	31 December 2012	31 December 2013		31 December 2012		31 December 2013		31 December 2012		
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	
(3) Beijing Anhua Shiji Real Estate Development Co., Ltd. ("Anhua Shiji")	Beijing, the PRC	Property Development and sales	-	USD 30,000,000	USD 30,000,000	55	45	55	45	60	40	60	40	
(4) Tianjin Banshan Renjia Real Estate Co., Ltd. ("Tianjin Banshan")	Tianjin, the PRC	Property Development and sales	-	USD 74,000,000	USD 74,000,000	-	55	-	55	-	60	-	60	
(5) Beijing Sunshine City Real Estate Development Co., Ltd. ("Sunshine City")	Beijing, the PRC	Property Development and sales	-	USD 20,000,000	USD 20,000,000	50	50	50	50	60	40	60	40	
(6) Chongqing Xinshi Real Estate Development CO., Ltd. ("Chongqing Xinshi") (i)	Chongqing, the PRC	Property Development and sales	-	USD 95,000,000	USD 95,000,000	-	50	-	50	-	50	-	50	
(7) Outlets Property Investment Guangdong Ltd. ("Outlets Guangdong") (note 4(2)(1))	Foshan, the PRC	Property Development and sales	-	N/A	USD 40,000,000	-	-	-	50	-	-	-	-	60
(8) Beijing Xinbocheng Real Estate Development Co., Ltd. ("Xinbocheng")	Beijing, the PRC	Property Development and sales	-	RMB 89,000,000	RMB 89,000,000	-	100	-	100	-	100	-	100	
(9) Qingdao Yangguang Binhai Properties Co. Ltd. ("Qingdao Binhai")	Qingdao, the PRC	Property Development and sales	-	RMB 50,000,000	RMB 50,000,000	-	100	-	100	-	100	-	100	
(10) Qingdao Qianqianshu Investment Properties Co. Ltd. ("Qingdao Qianqianshu")	Qingdao, the PRC	Property Development and sales	-	RMB 20,000,000	RMB 20,000,000	-	100	-	100	-	100	-	100	
(11) Yantai Yangguang Lidu Real Estate Development Co., Ltd.	Yantai, the PRC	Property Development and sales	-	RMB 50,000,000	RMB 50,000,000	-	100	-	100	-	100	-	100	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

(b). Subsidiaries obtained from business combinations involving enterprises not under common control (Continued)

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2013	31 December 2012	31 December 2013		31 December 2012		31 December 2013		31 December 2012	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(12) Yantai Yangguang Lizhen Real Estate Development Co., Ltd.	Yantai, the PRC	Property Development and sales	-	RMB 75,000,000	RMB 75,000,000	-	100	-	100	-	100	-	100
(13) Yantai Yangguang Xinye Real Estate Development Co., Ltd.	Yantai, the PRC	Property Development and sales	-	RMB 75,000,000	RMB 75,000,000	-	100	-	100	-	100	-	100
(14) Zhejiang Huisheng Real Estate Co., Ltd. ("Zhejiang Huisheng")	Huzhou, the PRC	Property Development and sales	-	USD 20,000,000	USD 20,000,000	-	100	-	100	-	100	-	100
(15) Zhejiang Outlets Real Estate Co., Ltd. ("Zhejiang Outlets")	Huzhou, the PRC	Property Development and sales	-	USD 40,000,000	USD 40,000,000	-	100	-	100	-	100	-	100
(16) Tianjin Shengtaicheng Jiamingronghe Real Estate Cheng Shi Co., Ltd. ("Tianjin Jiaming") (note 4(4)(3))	Tianjin, the PRC	Property Development and sales	-	RMB 60,000,000	RMB 60,000,000	-	100	-	90	-	100	-	90
(17) Juda International (note 4(3))	Cayman	Investment Holding	-	HK Dollar 2,000,000	N/A	-	65.1	N/A	N/A	-	65.1	N/A	N/A
(18) Nice World Chemistry Industry (Xiamen) Co., Ltd. ("NWCI") (note 4(3))	Xiamen	Chemicals Production and Sales	-	USD 8,000,000	N/A	-	65.1	N/A	N/A	-	65.1	N/A	N/A

- (i) The Group holds 50% equity interests of Chongqing Xinshi, and according to the Articles of Association of the investee the Group can make significant financial and operating decisions without the agreement of other shareholders thus has control over the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

(c). Subsidiaries obtained from investment and other procedures

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2013	31 December 2012	31 December 2013		31 December 2012		31 December 2013		31 December 2012	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(1) Beijing Capital Xinzi Real Estate Ltd. ("Beijing Xinzi")	Beijing, the PRC	Property Development and sales	-	RMB 496,590,000	RMB 496,590,000	100	-	100	-	100	-	100	-
(2) Beijing Shangboya Investment Consultant Co., Ltd. ("Shangboya")	Beijing, the PRC	Investment Holding	-	RMB 30,000,000	RMB 30,000,000	100	-	100	-	100	-	100	-
(3) Beijing Shangbodi Investment Consultant Co., Ltd. ("Shangbodi")	Beijing, the PRC	Investment holding	-	RMB 30,000,000	RMB 30,000,000	51	-	51	-	51	-	51	-
(4) Tianjin Xinchuang Real Estate Development Co., Ltd. ("Tianjin Xinchuang")	Tianjin, the PRC	Property Development and sales	-	USD 25,000,000	USD 25,000,000	-	100	-	100	-	100	-	100
(5) Chengdu Capital Xinzi Real Estate Development Ltd. ("Chengdu Xinzi")	Chengdu, the PRC	Property Development and sales	-	USD 30,000,000	USD 30,000,000	-	100	-	100	-	100	-	100
(6) Jiangsu Capital Real Estate Development Ltd. ("Jiangsu Capital")	Wuxi, the PRC	Property Development and sales	-	USD 12,500,000	USD 12,500,000	60	40	60	40	60	40	60	40
(7) Beijing Caotang Real Estate Development Ltd. ("Caotang Real Estate") (note 4(2)(3))	Beijing, the PRC	Property Development and sales	-	N/A	RMB 10,000,000	-	-	-	100	-	-	-	100
(8) Beijing Capital Land Chengdu Co., Ltd. ("Capital Chengdu")	Chengdu, the PRC	Property Development and sales	-	RMB 150,000,000	RMB 150,000,000	100	-	100	-	100	-	100	-
(9) Chengdu Capital Yidu Real Estate Development Co., Ltd. ("Chengdu Yidu")	Chengdu, the PRC	Property Development and sales	-	USD 100,000,000	USD 100,000,000	-	55	-	55	-	60	-	60

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

(c). Subsidiaries obtained from investment and other procedures (Continued)

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2013	31 December 2012	31 December 2013		31 December 2012		31 December 2013		31 December 2012	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(10) Tianjin Capital Xinyuan Real Estate Development Co., Ltd. ("Tianjin Xinyuan")	Tianjin, the PRC	Property Development and sales	-	USD 95,000,000	USD 95,000,000	-	55	-	55	-	60	-	60
(11) Tianjin Capital Xingang Real Estate Development Co., Ltd. ("Tianjin Xingang")	Tianjin, the PRC	Property Development and sales	-	USD 95,000,000	USD 95,000,000	-	55	-	55	-	60	-	60
(12) Wuxi Xindong Real Estate Development Co., Ltd. ("Wuxi Xindong")	Wuxi, the PRC	Property Development and sales	-	RMB 100,000,000	RMB 100,000,000	100	-	100	-	100	-	100	-
(13) Central Plaza Xinrong Hotel Management Co., Ltd. ("Central Plaza Xinrong")	Beijing, the PRC	Hotel Operation and Management	-	USD 6,062,000	USD 6,062,000	75	25	75	25	75	25	75	25
(14) Beijing Chuangxin Jianye Real Estate Investment Ltd. ("Chuangxin Jianye")	Beijing, the PRC	Investment Holding	-	RMB 50,000,000	RMB 50,000,000	100	-	100	-	100	-	100	-
(15) Jingjin Tongcheng (Tianjin) Investment Co., Ltd. ("Jingjin Tongcheng") (note 4(4)(2))	Tianjin, the PRC	Property Development	-	RMB 250,000,000	RMB 250,000,000	-	90	-	50	-	90	-	51
(16) Outlets Property Investment Fangshan Ltd. ("Outlets Fangshan")	Beijing, the PRC	Property Development and sales	-	USD 127,000,000	USD 127,000,000	-	100	-	100	-	100	-	100
(17) Beijing Capital Zhongbei Real Estate Development Co., Ltd. ("Capital Zhongbei")	Beijing, the PRC	Property Development and sales	-	RMB 100,000,000	RMB 100,000,000	-	100	-	100	-	100	-	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

(c). Subsidiaries obtained from investment and other procedures (Continued)

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2013	31 December 2012	31 December 2013		31 December 2012		31 December 2013		31 December 2012	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(18) Guangdong Guansheng Real Estate Development Co., Ltd. ("Guangdong Guansheng") (note 4(2)(1))	Foshan, the PRC	Property Development and sales	-	N/A	USD 40,000,000	-	-	-	60	-	-	-	60
(19) Guangdong Rongxin Real Estate Development Co., Ltd. ("Guangdong Rongxin") (note 4(2)(1))	Foshan, the PRC	Property Development and sales	-	N/A	USD 30,000,000	-	-	-	60	-	-	-	60
(20) Guangdong Jingsheng Real Estate Development Co., Ltd. ("Guangdong Jingsheng") (note 4(2)(1))	Foshan, the PRC	Property Development and sales	-	N/A	USD 10,000,000	-	-	-	60	-	-	-	60
(21) BECL Investment Holding Ltd. ("BECL")	Hong Kong	Investment Holding	RMB 1,150,000,000	USD 9,900,000	USD 9,900,000	100	-	100	-	100	-	100	-
(22) Beijing Litong Shangyi Investment Co., Ltd. ("Beijing Shangyi") (note 9)	Beijing, the PRC	Property Development and sales	-	RMB 10,310,000	RMB 10,310,000	-	100	-	100	-	100	-	100
(23) Beijing Anshunyu Real Estate Development Co., Ltd. ("Anshunyu")	Beijing, the PRC	Property Development and sales	-	RMB 50,000,000	RMB 50,000,000	-	95	-	95	-	95	-	95
(24) Zhenjiang Xianji Real Estate Development Co., Ltd. ("Zhenjiang Xianji")	Zhenjiang, the PRC	Property Development and sales	-	USD 40,000,000	USD 30,000,000	-	100	-	100	-	100	-	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

(c). Subsidiaries obtained from investment and other procedures (Continued)

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2013	31 December 2012	31 December 2013		31 December 2012		31 December 2013		31 December 2012	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(25) Zhejiang Shouxin Real Estate Development Co., Ltd. ("Zhejiang Shouxin")	Huzhou, the PRC	Property Development and sales	-	USD 24,500,000	USD 24,500,000	-	100	-	100	-	100	-	100
(26) Zhejiang Hualong Real Estate Development Co., Ltd. ("Zhejiang Hualong")	Huzhou, the PRC	Property Development and sales	-	USD 67,000,000	USD 67,000,000	-	100	-	100	-	100	-	100
(27) Beijing Ruiyuanfengji Real Estate Development Co., Ltd. ("Ruiyuanfengji")	Beijing, the PRC	Property Development	-	RMB 10,000,000	RMB 10,000,000	100	-	100	-	100	-	100	-
(28) Capital Tianshun Real Estate Development Co., Ltd. ("Capital Tianshun")	Beijing, the PRC	Property Development	-	RMB 100,000,000	RMB 100,000,000	-	100	-	100	-	100	-	100
(29) Nanjing Ningchun Real Estate Development Co., Ltd. ("Nanjing Ningchun")	Nanjing, the PRC	Infrastructure Investment	-	RMB 100,000,000	RMB 100,000,000	-	100	-	100	-	100	-	100
(30) Hainan Outlets Real Estate Development Co., Ltd. ("Hainan Outlets")	Wanning, the PRC	Property Development	-	USD 14,000,000	USD 14,000,000	-	55	-	55	-	55	-	55
(31) Jiangyin Yuyue Real Estate Development Co., Ltd. ("Jiangyin Yuyue")	Jiangyin, the PRC	Property Development	-	USD 49,000,000	USD 49,000,000	-	100	-	100	-	100	-	100
(32) Sanya Shengxing Weiye Real Estate Development Co., Ltd. ("Sanya Shengxing")	Sanya, the PRC	Property Development and sales	-	RMB 100,000,000	RMB 100,000,000	-	100	-	100	-	100	-	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

(c). Subsidiaries obtained from investment and other procedures (Continued)

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2013	31 December 2012	31 December 2013		31 December 2012		31 December 2013		31 December 2012	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(33) Qindao Xinli Weiye Real Estate Development Co., Ltd ("Qingdao Xinli Weiye")	Qingdao, the PRC	Property Development and sales	-	RMB 90,000,000	RMB 90,000,000	-	100	-	100	-	100	-	100
(34) Capital Guoxin Asset Management Co., Ltd. ("Capital Guoxin")	Beijing, the PRC	Asset Management	-	RMB 100,000,000	RMB 100,000,000	100	-	100	-	100	-	100	-
(35) Capital Qinglv Real Estate (Kunshan) and sales Co., Ltd ("Qinglv Capital")	Kunshan, the PRC	Property Development	-	RMB 300,000,000	RMB 300,000,000	-	51	-	51	-	51	-	51
(36) Qinhuangdao Outlets Real Estate Co., Ltd ("Qinhuangdao Real Estate") (note 5(9)(b)(vi))	Qinhuangdao, the PRC	Property Development and sales	-	N/A	USD 20,000,000	-	40	-	60	-	40	-	60
(37) Hainan Outlets Tourism Development Co., Ltd	Wanning, the PRC	Development and construction sales and property management	-	USD 9,000,000	USD 1,350,000	-	55	-	55	-	55	-	55
(38) Capital Outlets (Kunshan) Real Estate Development Co., Ltd(i)	Kunshan, the PRC	Property Development and sales	-	RMB 300,000,000	N/A	-	100	-	-	-	100	-	-
(39) Tianjin Xinjing Investment Co., Ltd.(j)	Tianjin, the PRC	Property Investment	-	RMB 100,000,000	N/A	-	100	-	-	-	100	-	-
(40) Beijing Tiancheng Yongxin Real Estate Co., Ltd(i)	Beijing	Property Development	-	RMB 100,000,000	N/A	-	100	-	-	-	100	-	-
(41) Shenyang Capital Xinyun Real Estate Co., Ltd.(j)	Shenyang	Property Development and sales	-	RMB 20,000,000	N/A	-	100	-	-	-	100	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

(c). Subsidiaries obtained from investment and other procedures (Continued)

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2013	31 December 2012	31 December 2013		31 December 2012		31 December 2013		31 December 2012	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(42) SAS Datang Weiyel(i)	France	Real Estate Business	-	EUR 25,000,000	N/A	-	100	-	-	-	100	-	-
(43) Hainan Capital Outlets Real Estate Co.,Ltd(i)	Wanning	Property Development and sales	-	RMB 20,000,000	N/A	-	100	-	-	-	100	-	-
(44) Jinrui Wealth Investment Management Co., Ltd.(i)	Beijing	Investment Management	-	RMB 50,000,000	N/A	-	100	-	-	-	100	-	-
(45) Tianjin Tongcheng Real Estate Co.,Ltd(i)	Tianjin	Property Development and sales	-	RMB 50,000,000	N/A	-	100	-	-	-	100	-	-
(46) Beijing Capital Zhongzhi Dingfu Real Estate Development Co.,Ltd ("Beijing Zhongzhi Dingfu")(i)	Beijing	Investment Management	-	RMB 100,000,000	N/A	-	100	-	-	-	100	-	-
(47) Beijing Tiancheng Yongtai Real Estate Co.,Ltd ("Tiancheng Yongtai") (note 4(4)(1))(i)	Beijing	Property Development and sales	-	RMB 2,246,290,000	N/A	-	68.5	-	-	-	60	-	-
(48) Beijing Tiancheng Yongyuan Investment Management Co., Ltd.(i)	Beijing	Property Development and sales	-	RMB 1,997,109,000	N/A	-	100	-	-	-	100	-	-
(49) Tianjin Xingtai Jixin Real Estate Co.,Ltd(i)	Tianjin	Property Development	-	RMB 50,000,000	N/A	-	100	-	-	-	100	-	-
(50) Beijing Chuangrui Xiang'an Real Estate Co.,Ltd(i)	Beijing	Property Development and sales	-	RMB 30,000,000	N/A	-	100	-	-	-	100	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(1). Significant subsidiaries *(Continued)*

(c). Subsidiaries obtained from investment and other procedures *(Continued)*

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2013	31 December 2012	31 December 2013		31 December 2012		31 December 2013		31 December 2012	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(51) Shanghai Songchuang Real Estate Co., Ltd(i)	Beijing	Property Development	-	RMB 50,000,000	N/A	-	100	-	-	-	100	-	-
(52) Minsheng Royal Specific Assets Management Plan for Capital Lize Project (the "Specific Capital Management Plan") (ii)	Beijing	Investment Management	-	RMB 2,200,000,000	N/A	9	-	-	-	N/A	-	-	-

(i) These companies were newly set up by the Group this year.

(ii) The Group holds 9% units in the Specific Capital Management Plan as a secondary investor. Based on the contract of the Plan, the Group shares or undertakes the most income or risk of the plan, thus the Group has control over the Specific Capital Management Plan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Disposal of subsidiaries due to loss of control caused by disposal of equity

1. Outlets Guangdong, Guangdong Guansheng, Guangdong Jingsheng and Guangdong Rongxin

The Group originally held 50%, 60%, 60% and 60% equity interests in Outlets Guangdong, Guangdong Guansheng, Guangdong Jingsheng and Guangdong Rongxin (hereinafter "the Guangdong Project Companies") respectively, which are incorporated in Foshan, the PRC, with principal activities in property development and sales. In April 2013, the Group disposed of its entire equity interest in the Guangdong Project Companies to Aotelaisi Renowned Brand Discount Store Limited, Worldwide Renowned Brand Discount Store Asia Limited, Aotelaisi Renowned Brand Discount Store Investment Limited and Aotelaisi Renowned Brand Discount Store Properties Limited (note 9).

(i) The proceeds and cash flows from the disposal are as follows:

	Amount
Proceeds from disposal	521,298
Cash received from disposal	500,000
Less: Cash received in previous years	(60,445)
Less: Cash held by the Guangdong Project Companies	(7,844)
Net cash received from disposal	431,711

(ii) Net assets of the Guangdong Project Company are as follows:

	Disposal date	31 December 2012
Current assets	1,623,701	1,894,018
Non-current assets	761,007	960,961
Current liabilities	(719,362)	(1,936,398)
Non-current liabilities	(793,946)	(43,946)
Net assets	871,400	874,635

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(2). Disposal of subsidiaries due to loss of control caused by disposal of equity *(Continued)*

1. Outlets Guangdong, Guangdong Guansheng, Guangdong Jingsheng and Guangdong Rongxin *(Continued)*

- (iii) The revenue, expenses and profit of the Guangdong Project Companies for the period from 1 January 2013 to the disposal date are as follows:

	Amount
Revenue	–
Less: cost and expenses	(4,313)
Total loss	(4,313)
Less: income tax expenses	1,078
Net Loss	(3,235)

- (iv) Profit or loss on disposal is calculated as follows:

	Amount
Proceeds from disposal	521,298
Less: Net assets of the Guangdong Project Companies at the disposal date	(871,400)
Minority interests of the Guangdong Project Companies	375,448
Investment income generated from disposal	25,346

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Disposal of subsidiaries due to loss of control caused by disposal of equity (Continued)

2. Beijing Yongyuan Jintai Investment Co., Ltd., Beijing Xingtai Jicheng Real Estate Development Co., Ltd.

The Group originally held 100% equity interest in Beijing Yongyuan Jintai Investment Co., Ltd. (hereinafter "Yongyuan Jintai") and Beijing Xingtai Jicheng Real Estate Development Co., Ltd. (hereinafter "Xingtai Jicheng"), which are both incorporated in Beijing, the PRC, and their principal activities are investment management and property development and sales, respectively. In February 2013, the Group disposed of its entire equity interests in Yongyuan Jintai and Xingtai Jicheng to Kunshan Chuangbo Sheng Xin Equity Investment Centre (Limited Partnership), Kunshan Chuangbo ShunXin Equity Investment Centre (Limited Partnership), Kunshan Chuangbo Tong Ying Equity Investment Centre (Limited Partnership) and Kunshan Chuangbo Fu Xin Equity Investment Centre (Limited Partnership) (hereinafter "Kunshan Chuangbo Fund") which are established by a wholly owned subsidiary of Tianjin Tonghua Qiangyu Investment Management Co., Ltd (hereinafter "Tonghua Qiangyu") as a general partner (note (9)). After the above transactions, Kunshan Chuangbo Fund, and its subsidiaries, Yongyuan Jintai and Xingtai Jicheng, are jointly controlled by the Group and other independent third party shareholders.

(i) Proceeds and cash flows on disposal are as follows:

	Amount
Proceeds from disposal	33,010
Cash received from disposal	33,010
Less: cash held by Yongyuan Jintai and Xingtai Jicheng	(273,367)
Net cash decreased from disposal	(240,357)

(ii) Net assets of the Yongyuan Jintai and Xingtai Jicheng are as follows:

	Disposal date	31 December 2012
Current assets	1,647,043	1,446,549
Non-current assets	2,305	2,307
Current liabilities	(386,485)	(866,713)
Non-current liabilities	(1,267,720)	(587,000)
Net assets	(4,857)	(4,857)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(2). Disposal of subsidiaries due to loss of control caused by disposal of equity *(Continued)*

2. Beijing Yongyuan Jintai Investment Co., Ltd., Beijing Xingtai Jicheng Real Estate Development Co., Ltd. *(Continued)*

- (iii) The profit or loss of Yongyuan Jinta and Xingtai Jicheng for the period from 1 January 2013 to the disposal date are zero.
- (iv) Profit or loss from the disposal is calculated as follows:

	Amount
Proceeds from disposal	33,010
Less: Net assets of Yongyuan Jintai and Xingtai Jicheng on disposal date	4,857
Investment income generated from disposal	37,867

3. Caotang Real Estate

The Group held 100% share of Caotang Real Estate, which was registered in Beijing, the PRC with major business in property development and sales. In August 2013, the Group transferred the whole control rights in Caotang Real Estate to an independent third party company (note 9).

- (i) Proceeds and cash flows from the disposal are as follows:

	Amount
Proceeds from disposal	10,000
Cash received from disposal	–
Less: cash held by Caotang Real Estate	(31,130)
Net cash decreased from disposal	(31,130)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(2). Disposal of subsidiaries due to loss of control caused by disposal of equity *(Continued)*

3. Caotang Real Estate *(Continued)*

(ii) Disposal of net assets of Caotang Real Estate is as follows:

	Disposal date	31 December 2012
Current assets	920,580	883,325
Non-current assets	2,143	1,969
Current liabilities	(919,997)	(882,047)
Net assets	2,726	3,247

(iii) The profit or loss of Caotang Real Estate for the period from 1 January 2013 to the disposal date are as follows:

	Amount
Revenue	-
Less: cost and expenses	695
Total loss	695
Less: income tax expenses	(174)
Net loss	521

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For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(2). Disposal of subsidiaries due to loss of control caused by disposal of equity *(Continued)*

3. Caotang Real Estate *(Continued)*

(iv) Profit or loss from the disposal is calculated as follows:

	Amount
Proceeds from disposal	10,000
Less: Net assets of Caotang Real Estate on disposal date	(2,726)
Investment income generated from disposal	7,274

4. Chongqing Shouyong Real Estate Co., Ltd.

The Group held 100% shares of Chongqing Shouyong Real Estate Co., Ltd. (hereinafter "Shouyong Real Estate"), which was registered in Chongqing, the PRC, mainly engaged in property development and sales. In July 2013, the Group transferred all shares of Shouyong Real Estate to Zhuhai Hengqin Shouyong Real Estate Guanghecheng Equity Investment Fund (Limited Partnership) (hereinafter "Zhuhai Hengqin Fund") which was established by Zhuhai Hengqin Shouju Chuangxin Equity Investment Fund Co., Ltd (hereinafter "Zhuhai Hengqin Fund management company") as general partner (note 9). After the above transaction, Zhuhai Hengqin Fund and its subsidiary, Shouyong Real Estate, are jointly controlled by the Group and other independent third party shareholders.

(i) Proceeds and cash flows on disposal are as follows:

	Amount
Proceeds from disposal	82,000
Cash received from disposal	82,000
Less: cash held by Shouyong Real Estate	(48,822)
Net cash received from disposal	33,178

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For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Disposal of subsidiaries due to loss of control caused by disposal of equity (Continued)

4. Chongqing Shouyong Real Estate Co., Ltd. (Continued)

(ii) Disposal of net assets of Shouyong Real Estate is as follows:

	Disposal date
Current assets	488,699
Non-current assets	16
Current liabilities	(409,316)
Non-current liabilities	–
Net assets	79,399

(iii) The profit or loss of Shouyong Real Estate for the period from 1 January 2013 to the disposal date are as follows:

	Amount
Revenue	–
Less: cost and expenses	333
Total loss	333
Less: income tax expenses	–
Net loss	333

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For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(2). Disposal of subsidiaries due to loss of control caused by disposal of equity *(Continued)*

4. Chongqing Shouyong Real Estate Co., Ltd. *(Continued)*

(iv) Profit or loss from the disposal is calculated as follows:

	Amount
Proceeds from disposal	82,000
Less: Net assets of Shouyong Real Estate on disposal date	(79,399)
Investment income generated from disposal	2,601

(3). Business combinations involving entities not under common control

Juda International

In 2013, the Group and Capital Group, the Group's ultimate parent company, signed an agreement with Lian Wang Limited to get 65.1% and 9.9% shares of Juda International respectively. Juda International is listed on the Stock Exchange of Hong Kong, with a significant subsidiary NWCI, and mainly engaging in the production and sales of chemical products. This transaction was completed in December 2013. The Group treated this transaction as business combination. The goodwill amounting to RMB172,137,000 is generated from the expected economic effects resulting from combining and exploiting the platform of investment and financing, domestic and overseas, of the Group and Juda International. The combination date 20 December 2013 is the date that the Group actually obtained control over Juda International.

The net assets and goodwill from the acquisition is recognized as follows:

	RMB'000
Combination expense – Cash paid	272,923
Less: Acquired fair value of identified net assets	100,786
Goodwill	172,137

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(3). Business combinations involving entities not under common control

(Continued)

Juda International (Continued)

The assets and liabilities of Juda International at the acquisition date, and the cash flows related to the acquisition are as follows:

	Acquisition Fair Value date	Acquisition Carrying amount date	31 December 2012
Cash on hand and at bank	48,817	48,817	42,118
Notes receivable	1,714	1,714	4,538
Accounts receivable	9	9	5,533
Advances to suppliers	35,921	35,921	4,813
Other receivables	20	20	2,782
Inventories	44,523	44,816	61,473
Fixed assets	62,470	59,377	63,524
Long-term prepaid expenses	1,368	1,368	8,000
Intangible assets	11,412	1,890	1,507
Less: Accounts payable	-	-	(641)
Short-term loans	(45,000)	(45,000)	(45,000)
Other payables	(305)	(305)	(1,610)
Taxes payable	(3,052)	(3,052)	(349)
Interest payable	-	-	(328)
Dividends payable	-	-	(1000)
Deferred tax liabilities	(3,081)	-	-
Net assets	154,816	145,575	145,360
Less: minority interest	(54,030)	(50,806)	-
Net assets obtained	100,786	94,769	145,360
Consideration settled in cash		272,923	
Less: cash in the subsidiary acquired		(48,817)	
Net cash outflow on acquisition of the subsidiary		224,106	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(3). Business combinations involving entities not under common control

(Continued)

Juda International *(Continued)*

The fair value of the assets and liabilities of Juda International at the acquisition date are determined by the Group using valuation techniques. The valuation method and critical assumptions applied are as follows:

The valuation method used for buildings and machinery equipment is replacement cost method. Valuated amount is the total value of re-purchase or reconstruction of a brand-new valuation object less the physical depreciation, functional depreciation and economic devaluation.

The valuation method of land using rights is market approach. Valuated amount is calculated by making corrections of transaction, transaction date and real estate situation, etc. based on the comparison among prices of the valuation object and recent transaction cases. The critical assumptions applied are as follows:

Transaction case: choose more than three comparable cases from recent transactions based on the situation of the valuation object and the purpose of the valuation.

The correction factor: including transactions correction, the transaction date correction, the real estate situation correction, the volume correction and the land using term correction.

The revenue, net profit and the cash flows of Juda International for the period from the acquisition date to 31 December 2013 are as follows:

	RMB'000
Revenue	19,487
Net profit	451
Net cash inflow from operating activities	12,528
Net cash inflow	12,519

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(4). Transaction with non-controlling shareholders

1. Tiancheng Yongtai

In 2013, the Group transferred 63% equity interests of Speed Plus Investments Limited (hereinafter "Speed Plus"), a subsidiary of the Group, to ICBC International Investment Management Co., LTD (hereinafter "ICBC International"). The 100% equity interests and shareholder loan of Opal Treasure Holdings Limited (hereinafter "Opal Treasure") held by Speed Plus and the 50% equity interests of Tiancheng Yongtai indirectly held by Speed Plus were transferred to ICBC International accordingly. According to the Articles of Association, the Group still has control over Tiancheng Yongtai after the transaction. ICBC International indirectly holds 31.5% equity interests in Tiancheng Yongtai through the 63% shares of Speed Plus and becomes minority shareholder of the Group.

Since the transaction was completed, Speed plus and its wholly owned subsidiary Opal Treasure became the associated companies of the Group. As Speed Plus had no other business before the disposal, and Opal Treasure had no other business except holding 50% equity interests of Tiancheng Yongtai, the disposal of these two companies mentioned above generated no profit or loss.

	RMB'000
Proceeds from disposal	892,717
Reductions of shared net assets of the subsidiary calculated by the disposed share proportion	(837,075)
Increase in capital surplus	55,642

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(4). Transaction with non-controlling shareholders *(Continued)*

2. Jingjin Tongcheng

In August 2013, the Group entered into an equity transfer agreement with CDIC Innovation Capital Investment Co., Ltd (hereinafter "CDIC") to purchase 40% equity interests of Jingjin Tongcheng held by CDIC, at a total consideration of RMB116,000,000. The Group recognised a decrease in capital surplus of RMB54,363,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. The Group holds 90% equity interests of Jingjin Tongcheng after this transaction.

	RMB'000
Consideration paid	(116,000)
Additions of shared net assets of the subsidiary calculated by the additional share proportion	61,637
Decrease in capital surplus	(54,363)

3. Tianjin Jiaming

In October 2013, the Group entered into an equity transfer agreement with Beijing Zhongnan Xingye Investment Co., Ltd (hereinafter "Zhongnan Xingye") to purchase 10% equity interests of Tianjin Jiaming held by Zhongnan Xingye, at a total consideration of RMB6,000,000. The Group recognised an increase in capital surplus of RMB527,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. Tianjin Jiaming is wholly owned by the Group after the transaction.

	RMB'000
Consideration paid	(6,000)
Additions of shared net assets of the subsidiary calculated by the additional share proportion	6,527
Increase in capital surplus	527

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1). Cash

	31 December 2013	31 December 2012
Cash on hand	1,397	7,650
Bank Deposits	11,256,543	8,597,823
Other cash balances	87,440	11,300
Total	11,345,380	8,616,773

As at 31 December 2013, bank deposits includes supervised advance from customers, security deposits for certain mortgage loans to customers, mortgage loan deposits and security deposits for bond interests amounted to RMB770,285,000 (31 December 2012: RMB529,204,000). The Group has reclassified the above amount to restricted bank deposits. As at 31 December 2013, the carrying amount of supervised advance from customers was RMB327,807,000 (31 December 2012: RMB201,333,000). According to the requirements of some local authorities (such as Beijing, Tianjin etc.) in the PRC, real estate developers need to open supervised bank accounts for the advances received from property customers. Such accounts are supervised by the Chinese government, and all cash expenditure from this account should coincide with the construction progress in order to ensure the cash being used for property construction on a priority basis. As at 31 December 2013, the carrying amount of security deposits for bond interests was RMB152,186,000 (31 December 2012: RMB152,000,000). As at 31 December 2013, the carrying amount of mortgage loan deposits were RMB238,666,000 (31 December 2012: RMB9,427,000). As at 31 December 2013, the carrying amount of mortgage loan deposits of the Group is RMB50,626,000 (31 December 2012: RMB266,344,000).

As at 31 December 2013, other cash balances of RMB87,440,000 are deposit for bank acceptance bill (31 December 2012: RMB11,300,000). The Group has reclassified the above amount to restricted bank deposits.

(2). Financial assets held for trading

	31 December 2013	31 December 2012
Derivatives	43,728	–

In March 2013, the Group entered into a currency swap contract to swap the three-year loans amounting to RMB2,000,000,000 with fixed rate of 7.6% to three-year loans amounting to USD326,531,000 with fixed rate of 6.1%. The currency swap contract is not in compliance with the requirement of hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3). Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2013	31 December 2012
Accounts receivable	493,714	41,876
Less: provision for bad debts	(7,000)	(7,000)
Receivables – net	486,714	34,876

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

The ageing analysis of the accounts receivable are as follows:

	31 December 2013	31 December 2012
Within 1 year	476,078	19,789
1 to 2 years	424	13,880
2 to 3 years	9,937	1,000
Over 3 years	7,275	7,207
Total	493,714	41,876

Accounts receivable are classified as follows:

	31 December 2013				31 December 2012			
	Amount	% of total balance %	Provision	% of the provision %	Amount	% of total balance %	Provision	% of the provision %
With amounts individually significant	349,940	71	-	-	-	-	-	-
Others	143,774	29	(7,000)	5	41,876	100	(7,000)	17
Total	493,714	100	(7,000)	1	41,876	100	(7,000)	17

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3). Accounts receivable and other receivables (Continued)

(a) Accounts receivable (Continued)

As at 31 December 2013, accounts receivables of RMB275,000 (31 December 2012: RMB207,000) were past due but not impaired with the ageing of over 3 years. An amount of RMB7,000,000 (31 December 2012: RMB7,000,000) is considered as past due and impaired with the ageing of over 3 years, with impairment of RMB7,000,000 (31 December 2012: RMB7,000,000).

(b) Other receivables

	31 December 2013	31 December 2012
Amounts due from joint ventures	103,195	298,884
Amounts due from associates	140,447	3,852
Land deposit and other guarantee deposits	362,330	324,212
Receivables from primary land development (i)	1,940,853	1,547,656
Consideration receivables from disposal of associates	17,511	17,511
Consideration from disposal of subsidiaries	31,298	–
Others	773,015	961,774
Total	3,368,649	3,153,889
Less: provisions for bad debts	(41,791)	(46,638)
Receivables – net	3,326,858	3,107,251

(i) As at 31 December 2013, the receivables from primary land development were due from Land Development and Reserve Center of Beijing City.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(3). Accounts receivable and other receivables *(Continued)*

(b) Other receivables *(Continued)*

The analysis of other receivables and related provisions for bad debts are as follows:

	31 December 2013				31 December 2012			
	Amount	% of total balance %	Provision	% of the provision %	Amount	% of total balance %	Provision	% of the provision %
Within 1 year	3,165,117	94	-	-	2,847,947	90	-	-
1 to 2 years	60,952	2	-	-	197,901	6	-	-
2 to 3 years	93,740	3	-	-	59,977	2	-	-
Over 3 years	48,840	1	(41,791)	86	48,064	2	(46,638)	97
Total	3,368,649	100	(41,791)	1	3,153,889	100	(46,638)	1

Other receivables are classified as follows:

	31 December 2013				31 December 2012			
	Amount	% of total balance %	Provision	% of the provision %	Amount	% of total balance %	Provision	% of the provision %
With amounts individually significant	2,851,728	85	-	-	2,780,802	88	-	-
Others	516,921	15	(41,791)	8	373,087	12	(46,638)	13
Total	3,368,649	100	(41,791)	1	3,153,889	100	(46,638)	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4). Advances to suppliers

The advances to suppliers are analysis as follows as at 31 December 2013:

	As at 31 December 2013	As at 31 December 2012
Prepaid sales commissions	29,351	49,050
Prepayment for investment	–	22,000
Prepaid land costs, construction and project costs	58,313	117,123
Prepaid material and equipment costs	46,335	–
Total	133,999	188,173

The ageing analysis of the advances to suppliers is as follows:

	As at 31 December 2013		As at 31 December 2012	
	% of total Amount	balance %	Amount	% of total balance %
Within 1 year	112,916	84	151,913	81
Over 1 year	21,083	16	36,260	19
Total	133,999	100	188,173	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(5). Dividends Receivable

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Xi'an Capital Xinkai Real Estate Development Co., Ltd. ("Xi'an Xinkai") (note 7(5)(c))	87,422	-	-	87,422
Tianjin Capital Xinming Real Estate Development Co., Ltd. ("Tianjin Xinming") (note 7(5)(c))	9,825	-	-	9,825
Total	97,247	-	-	97,247

(6). Inventories

(a) Inventories are classified as follows:

	31 December 2013			31 December 2012		
	Book balance	Provisions of inventory	Book value	Book balance	Provisions of inventory	Book value
Properties under development	24,700,215	-	24,700,215	20,596,383	(22,215)	20,574,168
Properties held for sale	4,672,386	-	4,672,386	2,994,582	(5,274)	2,989,308
Land under development	241,397	-	241,397	355,470	-	355,470
Low value consumables	7,669	-	7,669	2,294	-	2,294
Chemical raw materials, work in progress and finished goods	24,817	-	24,817	-	-	-
Total	29,646,484	-	29,646,484	23,948,729	(27,489)	23,921,240

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6). Inventories (Continued)

(b) The movement of the book balance of inventories is as follows:

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Costs –				
Properties under development	20,596,383	13,179,322	(9,075,490)	24,700,215
Properties held for sale	2,994,582	9,075,490	(7,397,686)	4,672,386
Land under development	355,470	–	(114,073)	241,397
Low value consumables	2,294	5,375	–	7,669
Chemical raw materials, work in progress and finished goods	–	24,817	–	24,817
Total	23,948,729	22,285,004	(16,587,249)	29,646,484

(c) The analysis of provisions of inventories is as follows:

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Properties under development	22,215	–	(22,215)	–
Properties held for sale	5,274	–	(5,274)	–
Total	27,489	–	(27,489)	–

In the year ended 31 December 2013, the properties held for sale with the carrying amount of RMB7,397,686,000 (2012: RMB6,058,985,000) has been recognised as cost of sales. (note 5(34)(a)).

As at 31 December 2013, the financed costs capitalised in the properties under development amounted to RMB1,610,817,000 (31 December 2012: RMB1,591,808,000). In the year ended 31 December 2013, the capitalisation rate is 8.07% (2012: 8.69%).

As at 31 December 2013, certain land use rights in properties under development of the Group with a carrying amount of RMB61,172,000 (31 December 2012: RMB61,172,000) have been pledged as security for short-term borrowings of RMB38,976,000 (31 December 2012: RMB30,600,000) (note 5(17)(b)).

As at 31 December 2013, certain land use rights in properties under development of the Group with a carrying amount of RMB3,050,592,000 (31 December 2012: RMB2,496,590,000) have been pledged as security for long-term borrowings of RMB1,452,200,000 (31 December 2012: RMB1,276,900,000) (note 5(26)(b)).

As at 31 December 2013, certain building in properties held for sale of the Group with a carrying amount of RMB187,350,000 (31 December 2012: RMB349,698,000) have been pledged as security for long-term borrowings of RMB135,000,000 (31 December 2012: RMB225,000,000) (note 5(26)(b)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(6). Inventories *(Continued)*

As at 31 December 2013, certain land use rights in properties under development and income right in certain real estate development of the Group with a carrying amount of RMB1,899,557,000 (31 December 2012: RMB5,423,999,000) have been pledged as security for long-term borrowings of RMB813,457,000 (31 December 2012: RMB1,572,460,000) (note 5(26)(b)).

As at 31 December 2013, certain land use rights in properties under development of the Group with a carrying amount of RMB756,192,000 (31 December 2012: RMB644,049,000) have been pledged as security for long-term borrowings of RMB883,000,000 (31 December 2012: RMB419,900,000) and guaranteed by the Company (note 5(26)(e)).

As at 31 December 2013, certain land use rights and buildings in properties under development of the Group with a carrying amount of RMB635,351,000 (31 December 2012: RMB267,288,000) have been pledged as security for long-term borrowings of RMB502,100,000 (31 December 2012: RMB154,000,000) and guaranteed by the Company (note 5(26)(e)).

As at 31 December 2013, certain long-term pledged loans of the Group of RMB87,500,000 (31 December 2012: RMB307,500,000) were secured by the equity and income right of certain land under development of the Group (note 5(26)(f)).

As at 31 December 2013, certain residential properties in properties under development with a carrying amount of RMB708,602,000 (31 December 2012: nil) have been pledged as security for long-term borrowings of RMB500,000,000 (31 December 2012: nil) and guaranteed by the Company (note 5(26)(e)).

As at 31 December 2013, certain land use rights in properties under development with a carrying amount of RMB63,230,000 (31 December 2012: nil) have been pledged as security for long-term borrowings of RMB190,000,000 (31 December 2012: nil) and guaranteed by the subsidiaries of the Company (note 5(26)(e)).

As at 31 December 2013, certain land use rights and residential properties in properties under development with a carrying amount of RMB867,002,000 (31 December 2012: nil) have been pledged as security for long-term borrowings of RMB303,000,000 (31 December 2012: nil) and guaranteed by the subsidiaries of the Company (note 5(26)(e)).

As at 31 December 2013, certain residential properties in properties under development with a carrying amount of RMB228,965,000 (31 December 2012: nil) and rights to yield have been pledged as security for long-term borrowings of 170,000,000 (31 December 2012: nil) and guaranteed by the Company (note 5(26)(g)).

As at 31 December 2013, certain land use rights in properties under development with a carrying amount of RMB868,871,000 (31 December 2012: nil) and rights to yield have been pledged as security for long-term borrowings of RMB694,538,000 (31 December 2012: nil) and guaranteed by the Company (note 5(26)(g)).

Land use rights according to the location and age are analyzed as follows:

	31 December 2013	31 December 2012
In Mainland China:		
10-50 years	7,491,579	2,245,343
Over 50 years	3,747,704	7,115,623
Total	11,239,283	9,360,966

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7). Other current Assets

	31 December 2013	31 December 2012
Prepaid taxes	1,113,762	881,314
Long-term equity investments held for sale	9,921	10,199
Long-term assets of subsidiaries held for sale (a)	1,886,819	960,961
Break-even financial product (b)	17,000	–
Total	3,027,502	1,852,474

(a) In 2012, the Group entered into an irrevocable equity transfer contract to dispose its entire equity interests in Guangdong Project Companies (note 9). The balance is book value of long-term assets of Guangdong Project Companies on 31 December 2012. Since these assets are consistent with definition of assets held for sale, the Group classified it as other current assets. In 2013, this transaction is completed and Guangdong Project Companies is no longer included in the scope of consolidation.

In 2013, the Group entered into an irrevocable equity transfer contract to dispose its entire equity interests in Beijing Shangyi (note 9). The long-term assets of Beijing Shangyi on 31 December 2013 are consistent with definition of assets held for sale, the Group classified them as other current assets.

(b) On 27 December 2013, an subsidiary of the Group purchased floating proceeds break-even financial product from China Construction Bank, Beijing Branch. The amount was RMB17,000,000. The investment duration is from 27 December 2013 to 31 March 2014.

(8). Available-for-sale financial assets

	31 December 2013	31 December 2012
Available-for-sale equity instruments (a)	149,258	200,653
Less: Provision of available-for-sale financial assets	–	–
Net	149,258	200,653
In which: market value of listed securities	99,258	150,653

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(8). Available-for-sale financial assets

(a) Available-for-sale equity instruments

	31 December 2013	31 December 2012
Listed equity instruments		
– in Mainland China	99,258	112,583
– in Hong Kong	–	38,070
Unlisted equity instruments	50,000	50,000
Total	149,258	200,653

As at 31 December 2013, the carrying amount of the investment in Yangguang Xinye Real Estate Limited (hereinafter “Yangguang Xinye”) is RMB99,258,000 (31 December 2012: RMB112,583,000). Yangguang Xinye was registered in Beijing, the PRC, listed in mainland China, and its principle activities are real estate development, leasing and advisory services. The ordinary shares of Yangguang Xinye held by the Group amounted to 19,310,913 shares, which accounts for 2.6% of the total ordinary shares.

In 2013, the Group disposed 28,000,000 ordinary shares of the Hong Kong listed company Beijing Jingneng Clean Energy Co., Ltd (hereinafter “Beijing Jingneng”) and recognized the investment income of RMB9,865,000 (note 5(41)).

As at 31 December 2013, the Group held 0.99% of the total shares of CDB Siyuan (Beijing) Investment Fund Ltd (thereinafter “Guokai Siyuan”). It was recorded as available-for-sale financial asset since the Group doesn’t have significant influence on Guokai Siyuan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9). Long-term Equity Investments

	31 December 2013	31 December 2012
Joint ventures		
– unlisted companies (a)	749,228	288,265
Associates		
– unlisted companies (b)	1,534,569	1,411,631
Subtotal	2,283,797	1,699,896
Less: Provision for impairment of long-term equity investments	–	–
Net	2,283,797	1,699,896

The Group has no significant limitation on realization of long-term investment or collection of investment income.

(a) Joint ventures

	Place of registration	Principal activities	Registered capital	% of Equity interest held %	% of Voting rights held %	31 December 2013			2013	
						Total assets	Total liabilities	Net assets	Total revenue	Net (loss)/ profit
Shenyang Jitian Real Estate Development Co., Ltd. ("Shenyang Jitian")	Shenyang, the PRC	Property Development and Sales	USD 40,000,000	50	50	1,492,446	1,229,832	262,614	–	(1,889)
Huzhou Capital Rongcheng Real Estate Development Co., Ltd. ("Huzhou Rongcheng") (i)	Huzhou, the PRC	Property Development and Sales	RMB 100,000,000	55	55	624,555	576,130	48,425	–	(7,834)
Beijing Capital Chaoyang Investment Co., Ltd. ("Chaoyang Investment")	Beijing, the PRC	Property Development and Sales	RMB 100,000,000	50	50	30,152	8,222	21,930	–	(897)
Beijing Wanzhu Real Estate Development Co., Ltd. ("Beijing Wanzhu") (ii)	Beijing, the PRC	Property Development and Sales	RMB 85,000,000	30	30	1,746,516	1,677,696	68,820	–	(6,079)
Capital Jiaming New Town Investment Co., Ltd. ("Capital Jiaming") (iii)	Beijing, the PRC	Property Development and Sales	RMB 500,000,000	35	35	1,335,582	849,688	485,894	–	(5,610)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(9). Long-term Equity Investments *(Continued)*

(a) Joint ventures *(Continued)*

	Place of registration	Principal activities	Registered capital	% of Equity interest held %	% of Voting rights held %	31 December 2013			2013	
						Total assets	Total liabilities	Net assets	Total revenue	Net (loss)/profit
Tianjin Haileybury International School ("International School")	Tianjin, the PRC	Education	RMB 10,000,000	45	40	7,317	4,475	2,842	1,324	(7,158)
Tonghua Qiangyu (iv)	Beijing, the PRC	Business Administration and Logistics Management	RMB 10,000,000	40	40	47,516	33,659	13,857	19,867	3,864
Kunshan Chuangbo Fund (v)	Beijing, the PRC	Investment holding and management	RMB 993,370,000	16.4	40	3,667,612	2,726,648	940,964	-	(14,539)
Zhuhai Hengqin Fund (vi) Management Company	Beijing, the PRC	Investment holding and management	RMB 10,000,000	40	40	9,836	-	9,836	-	(164)
Zhuhai Hengqin Fund (vii)	Zhuhai, the PRC	Investment management	RMB 850,000,000	28.24	40	1,440,204	637,809	802,395	-	(47,605)

- (i) In February 2012, the Group established Huzhou Rongcheng and held 55% equity interests. However according to the Articles of Association of Huzhou Rongcheng, the Group and other shareholders jointly control Huzhou Rongcheng, therefore it has been recognised as a joint venture.
- (ii) In June 2012, the Group acquired 30% equity interests in Beijing Wanzhu by capital injection. However according to the Articles of Association of Beijing Wanzhu, the Group and other shareholders jointly control Beijing Wanzhu, therefore it has been recognised as a joint venture.
- (iii) In May 2013, the Group entered into an agreement with other shareholders of Capital Jiaming to increase the capital by RMB75,000,000. Following the capital increase, the registered capital of capital Jiaming increased to RMB500,000,000 and the Group holds 35% equity interest. However according to the Articles of Association, the Group and other shareholders share the control over Capital Jiaming, therefore it has been recognised as a joint venture.
- (iv) The Company holds 40% equity interests in Tonghua Qiangyu. According to the Articles of Association of Tonghua Qiangyu, the Company and other shareholders share the control over Tonghua Qiangyu, therefore it is recognised as a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9). Long-term Equity Investments (Continued)

(a) Joint ventures (Continued)

- (v) Kunshan Chuangbo Fund was a limited partnership established by Kunshan Chuangbo Shengtuo Fund Management Company, a wholly owned subsidiary of Tonghua Qiangyu as a general partner. The Company holds 16.4% of the subordinated units in Kunshan Chuangbo Fund, and 40% voting rights of the investment strategy committee. In the meanwhile, Kunshan Chuangbo Fund holds 100% equity interests in Yongyuan Jintai and Xingtai Jicheng. According to the partnership agreements, the Group jointly control the investment and operational strategy of Kunshan Chuangbo Fund, Yongyuan Jintai and Xingtai Jicheng with other shareholders, thus these three companies have been recognised as joint ventures. According to the partnership agreement of Kunshan Chuangbo Fund, the fund has a duration of two years. The fund derives its revenue from the profit of the real estate development projects held by Yongyuan Jintai and Xingtai Jicheng, and the proceeds of disposal of equity interests in Yongyuan Jintai and Xingtai Jicheng. At the end of the first year after the establishment of the fund and at the settlement in the second year, the distribution order is as follows: in the first year, Kunshan Chuangbo Fund should pre-distribute 10% expected earnings to senior limited partners; in the second year, Kunshan Chuangbo Fund should firstly distribute initial investment to senior limited partners before distributing 10% expected earnings, after which distribute initial investment to subordinated limited partners and general partners before distributing 10% annual expected earnings; finally, if Kunshan Chuangbo Fund has distributable cash receipts after above distribution, the fund should distribute 20% of the cash receipts to general partners and 80% of which to senior limited partners and subordinated limited partners, in the ratio of 30% and 70% respectively.
- (vi) The Company holds 40% equity interests in Zhuhai Hengqin Fund Management Company. According to the Articles of Association of Zhuhai Hengqin Fund Management Company, the Company and other shareholders share the control over Zhuhai Hengqin Fund Management Company, therefore it is recognised as a joint venture.
- (vii) Zhuhai Hengqin Fund is a limited partnership company established by Zhuhai Hengqin Fund Management Company as general partner. Zhuhai Hengqin Fund holds 100% equity interests in Shouyong Real Estate. The Company holds 28.24% of the intermediate units in Zhuhai Hengqin Fund. According to the partnership agreement, the Group jointly controls the investment and operational strategy of Zhuhai Hengqin Fund and Shouyong Real Estate with other shareholders, thus these two companies have been classified as joint ventures. According to the partnership agreement of Zhuhai Hengqin Fund, the fund has an estimated duration of five years. The fund derives its revenue from the interest income of the shareholder loans provided by Zhuhai Hengqin Fund, the profits of the real estate development projects held by Shouyong Real Estate, and the proceeds from disposal of equity interests in Shouyong Real Estate. Zhuhai Hengqin Fund Management Company has the right to determine the distribution plan of Zhuhai Hengqin Fund as the executive partner. At the accounting dates and the settlement date of the fund, the distribution order is as follows: senior limited partners and intermediate limited partners can have 10% expected fixed earnings; senior limited partners enjoy distributing initial investment and expected earnings firstly, after which distribute initial investment and expected earnings to intermediate limited partners and subordinated limited partners; then distribute initial investment to general partners; finally, if Zhuhai Hengqin Fund has excess distributable earnings after the above distributions, the fund should distribute the income to the partners based on the agreed portion of the partnership agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(9). Long-term Equity Investments *(Continued)*

(a) Joint ventures *(Continued)*

Investment in joint ventures are as follows:

	31 December 2012	Additional investment costs	Net profit adjusted according to the equity method	Transferred from associates	31 December 2013
Shenyang Jitian	130,499	-	(902)	-	129,597
Capital Jiaming	95,752	75,000	(2,351)	-	168,401
Huzhou Rongcheng	30,942	-	(7,162)	-	23,780
Chaoyang Investment	4,608	-	(321)	-	4,287
Beijing Wanzhu	22,470	-	(1,824)	-	20,646
International School	-	5,000	(3,221)	-	1,779
Tonghua Qiangyu	3,994	-	1,546	-	5,540
Kunshan Chuangbo Fund	-	162,970	(2,384)	-	160,586
Zhuhai Hengqin Fund Management Company	-	4,000	(66)	-	3,934
Zhuhai Hengqin Fund	-	243,950	(13,272)	-	230,678
Total	288,265	490,920	(29,957)	-	749,228

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9). Long-term Equity Investments (Continued)

(b) Associates

	Place of registration	Principal activities	Registered capital	% of Equity interest held %	% of Voting rights held %	31 December 2013			2013	
						Total assets	Total liabilities	Net assets	Total revenue	Net profit/(loss)
Beijing GoldenNet Property Investment Consultant Co., Ltd. ("GoldenNet") (i)	Beijing, the PRC	Property Sales Agency	RMB 5,000,000	14	14	18,186	535	17,651	288	878
Beijing Yang Guang Yuan Real Estate Development Co., Ltd. ("Yang Guang Yuan")	Beijing, the PRC	Property Development and Sales	RMB 72,190,000	35	35	744,714	633,715	110,999	50,120	(16,750)
Shenyang Capital Xinzi Real Estate Development Co., Ltd. ("Shenyang Xinzi")	Shenyang, the PRC	Property Development and Sales	USD 92,500,000	30	30	1,826,637	1,044,785	781,852	612,510	89,738
Tianjin Capital Xinqing Real Estate Development Co., Ltd. ("Tianjin Xinqing")	Tianjin, the PRC	Property Development and Sales	USD 95,000,000	40	40	977,965	324,734	653,231	608,794	1,614
Tianjin Xinming	Tianjin, the PRC	Property Development and Sales	USD 95,000,000	40	40	1,113,902	431,634	682,268	502,195	1,023
Beijing Financial Street International Hotel Co., Ltd. ("Financial Street") (ii)	Beijing, the PRC	Hotel Operation and Management	USD 5,640,000	60	33	1,125,947	1,286,563	(160,616)	164,995	(61,908)
Xi'an Xinkai	Xi'an, the PRC	Property Development and Sales	USD 165,000,000	40	40	3,870,742	2,432,190	1,438,552	1,284,428	233,755
Beijing Outlets Chuangxin Business Management Co., Ltd. ("Outlets Chuangxin")	Beijing, the PRC	Business and Property Management	RMB 10,000,000	38	38	2,099	557	1,542	-	(13)
Capital Qinglv Culture Tourism (Kunshan) Co. Ltd ("Capital Qinglv Culture")	Kunshan, the PRC	Travel Project and Development	RMB 100,000,000	49	49	42,022	772	41,250	-	(4,250)
Speed Plus	BVI	Investment Management	USD100	37	37	837,076	837,076	-	-	-
King Future Ltd ("King Future")	BVI	Investment Management	USD10	40	40	601,550	605,490	(3,940)	-	(387)

(i) The Group has significant impact on the board of the directors, which is responsible for determining the financial policies in the ordinary course of business, therefore this company is classified as an associate.

(ii) According to the Articles of Association, the Group holds 59.5% equity interests of Financial Street both directly and in-directly and enjoys 34% profit of it. The Group has no control over the board of directors and such board is responsible for determine the financial policies in the ordinary course of business; therefore this company is classified as an associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(9). Long-term Equity Investments *(Continued)*

(b) Associates *(Continued)*

Investments in associates are as follows:

	31 December 2012	Additional investment costs	Net profit adjusted according to the equity method	Cash dividends	Transferred to joint ventures	31 December 2013
GoldenNet	6,824	-	125	-	-	6,949
Yang Guang Yuan	148,335	-	6,785	-	-	155,120
Shenyang Xinzi	205,789	-	24,991	-	-	230,780
Tianjin Xinqing	259,147	-	1,469	-	-	260,616
Tianjin Xinming	269,014	-	1,506	-	-	270,520
Financial Street (iii)	-	-	-	-	-	-
Xi'an Xinkai	501,915	-	90,150	-	-	592,065
Outlets Chuangxin	607	-	(5)	-	-	602
Capital Qinglv Culture	20,000	-	(2,083)	-	-	17,917
Speed Plus (iv)	-	USD37	-	-	-	-
King Future (v)	-	USD4	-	-	-	-
Total	1,411,631	-	122,938	-	-	1,534,569

(iii) The net assets of Financial Street are negative due to continuous losses in the past years. As the Group does not have the obligation to bear the additional losses beyond the share that the Group should have assumed, the Group recognised the carrying value of the long-term equity investment as zero other than negative. In 2013, the un-recognised investment loss amounted to RMB21,049,000 (2012: RMB7,017,000). As at 31 December 2013, the accumulated investment losses that are not recognised amounted to RMB42,153,000 (31 December 2012: RMB21,104,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9). Long-term Equity Investments (Continued)

(b) Associates (Continued)

- (iv) Speed Plus was a subsidiary established by the Group in 2011. In 2013, the Group transferred 63% shares of Speed Plus to ICBC International Holdings Limited (thereinafter "ICBC International"). As at 31 December 2013, Speed Plus has no other business at the transaction date. Such share transaction has completed and has no investment income. Speed Plus becomes an associate of the Group after the transaction.
- (v) The Group holds 60% share of King Future and its subsidiary Qinhuangdao Real Estate. King Future was registered in B.V.I and Qinhuangdao Real Estate was registered in Qinhuangdao, the PRC, engaged in property development and sales. In September 2013, the Group transferred 20% shares of King Future to Ever Dynamic Limited. King Future has no other business, except for indirectly holding Qinhuangdao Gold Coast Project which is in the early development, thus the transaction has no investment income occurred. After this transaction, King Future became an associate of the Group.

(10). Investment Properties

	31 December 2013	31 December 2012
Investment properties measured at cost (a)	524,791	835,408
Investment properties subsequently measured at fair value model (b)	2,963,918	4,838,834
Less: Provision for impairment loss of investment properties	-	-
Total	3,488,709	5,674,242

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(10). Investment Properties *(Continued)*

(a) Investment properties measured at cost

	Buildings	Land use Rights	Total
Cost			
31 December 2012	522,064	345,507	867,571
Additions in current year	465,628	–	465,628
Transfer to fair value model in current year	(672,761)	(99,400)	(772,161)
31 December 2013	314,931	246,107	561,038
Accumulated Depreciation and Amortisation			
31 December 2012	–	(32,163)	(32,163)
Depreciation and amortisation charged	–	(5,125)	(5,125)
Transfer to fair value model in current year	–	1,041	1,041
31 December 2013	–	(36,247)	(36,247)
Provision for impairment			
31 December 2012	–	–	–
Increase in current year	–	–	–
Decrease in current year	–	–	–
31 December 2013	–	–	–
Net book value			
31 December 2013	314,931	209,860	524,791
31 December 2012	522,064	313,344	835,408

As at 31 December 2013, some of the investment properties are still under construction and their fair value is not reliably measurable. Such investment properties under construction are measured at cost and their fair value is expected to become reliably measurable after the construction is completed. The Group had capitalised the amortisation of the land use rights amounted to RMB5,125,000 (31 December 2012: RMB9,179,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10). Investment Properties (Continued)

(b) Investment properties subsequently measured at fair value model

	Buildings and Land use right
Cost	
31 December 2012	2,718,489
Transfer from investment properties measured at cost (i)	771,120
Transfer from inventory	144,669
Additions in current year	122,170
Disposals in current year	(38,627)
Transfer to self-owned properties or inventory (ii)	(579,198)
Transfer to held-for-sale assets	(1,063,241)
31 December 2013	2,075,382
Changes in fair value	
31 December 2012	2,120,345
Transfer from inventory	13,331
Gains from changes in fair value (note 5(40))	431,312
Disposals in current year	(76,247)
Transfer to self-owned properties or inventory (ii)	(914,446)
Transfer to held-for-sale assets	(685,759)
31 December 2013	888,536
Carrying Amount	
31 December 2013	2,963,918
31 December 2012	4,838,834

(i) Some of the investment properties under construction of the Group were completed in 2013 so that they have been transferred to fair value model.

(ii) In August 2013, some of subsidiaries of the Group have transferred investment properties to inventories with redevelopment, which is approved by the board of directions resolution.

(iii) As at 31 December 2013, certain investment properties with carrying amount of RMB1,642,527,000 (31 December 2012: RMB1,749,545,000) have been pledged as security for long-term borrowings of RMB612,500,000 (31 December 2012: RMB1,680,000,000) (note 5(26)(b)).

As at 31 December 2013, certain investment properties with carrying amount of RMB407,970,000 (31 December 2012: nil) have been pledged as security for long-term borrowings of RMB200,000,000 and is guaranteed by the Company (31 December 2012: RMB: nil) (note 5(26)(e)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(11). Fixed Assets

	Buildings	Motor Vehicles	Office Equipment	Machinery and Equipment	Total
Cost					
31 December 2012	674,266	53,155	35,697	–	763,118
Increase in current year	354	6,238	9,851	9	16,452
Increase from acquisition of subsidiaries	32,791	788	53	72,471	106,103
Decrease in current year	–	(598)	(1,042)	–	(1,640)
Decrease from disposal of subsidiaries	–	(247)	(482)	–	(729)
31 December 2013	707,411	59,336	44,077	72,480	883,304
Accumulated Depreciation					
31 December 2012	(234,336)	(31,173)	(30,953)	–	(296,462)
Increase in current year	(27,452)	(8,646)	(5,319)	–	(41,417)
Increase from acquisition of subsidiaries	(8,499)	(536)	(328)	(34,270)	(43,633)
Decrease in current year	–	504	942	–	1,446
Decrease from disposal of subsidiaries	–	122	275	–	397
31 December 2013	(270,287)	(39,729)	(35,383)	(34,270)	(379,669)
Provision for impairment loss					
31 December 2012	–	–	–	–	–
Increase in current year	–	–	–	–	–
31 December 2013	–	–	–	–	–
Net Book Value					
31 December 2013	437,124	19,607	8,694	38,210	503,635
31 December 2012	439,930	21,982	4,744	–	466,656

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11). Fixed Assets (Continued)

As at 31 December 2013, certain buildings with carrying value of RMB353,536,000 (original cost of RMB601,431,000) (31 December 2012: carrying value of RMB379,269,000 (original cost of RMB601,431,000)) have been pledged as security for long-term borrowings of RMB327,408,000 (31 December 2012: RMB362,877,000) (note 5(26)(b)).

As at 31 December 2013, machinery and equipment with net book value of RMB38,210,000 (original value of RMB72,470,000) (31 December 2012: nil) have been pledged as security for short-term borrowings of RMB18,000,000 (31 December 2012: nil) (note 5(17)(b)).

In the year ended 31 December 2013, depreciation expense charged in cost of sales amounted to RMB25,825,000 and in administrative expenses amounted to RMB15,592,000 (In 2012: RMB25,825,000 and to RMB15,426,000).

(12). Intangible Assets

	Original Cost	31 December 2012	Increase	Amortisation	Transfer Out	31 December 2013	Accumulative Amortisation
Land use rights	63,695	41,651	11,412	(1,046)	-	52,017	(11,678)
Less: Provisions for Intangible asset	-	-	-	-	-	-	-
Total	63,695	41,651	11,412	(1,046)	-	52,017	(11,678)

In the year ended 31 December 2013, the amortisation of intangible assets amounted to RMB1,046,000 (2012: RMB1,046,000); in which, amount of RMB1,046,000 (2012: RMB1,046,000) has been recognised in profit and loss for the current period.

As at 31 December 2013, land use rights with carrying value of RMB40,605,000 (original cost of RMB52,283,000) (31 December 2012: carrying value of RMB41,651,000 (original cost of RMB52,283,000)) have been pledged as security for the long-term borrowings of RMB327,408,000 (31 December 2012: RMB362,877,000) (note 5(26)(b)).

As at 31 December 2013, land use rights with net book value of RMB11,412,000 (31 December 2012: nil) have been pledged as security for the short-term borrowings of RMB22,000,000 (31 December 2012: nil) (note 5(17)(b)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12). Intangible Assets (Continued)

The land use rights by locations and the approved land use periods are analysed as follows:

	31 December 2013	31 December 2012
In Mainland China – 10 to 50 years	52,017	41,651

(13). Long-term receivables

	31 December 2013	31 December 2012
Receivables from associate (note 7(5)(b))	292,380	522,293
Advances to primary land Development (i)	768,512	768,512
Subtotal	1,060,892	1,290,805
Less: Long-term receivables due within one year (i)	(768,512)	–
Total	292,380	1,290,805

- (i) Capital Tianshun, a subsidiary of the Group, entered into an entrustment agreement with Shunyi Branch of Land Consolidation and Reserve Center of Beijing City to engage in primary land development at Banqiao Country, Shunyi District in 2011. According to the agreement, the Group would collect the receivables amounted to RMB768,512,000 in one year and reclassified to current portion of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14). Goodwill

	31 December 2012	Increase	Decrease	31 December 2013
Goodwill –				
Juda International	–	172,137	–	172,137
Less: impairment	–	–	–	–
Net	–	172,137	–	172,137

Increase of goodwill in 2013 is due to the acquisition of 65.1% shares of Juda International (note 4(3)).

(15). Other non-current assets

	31 December 2013	31 December 2012
Prepayment for investments (i)	–	61,400
Total	–	61,400

(i) As at 31 December 2012, this amount is the Company's payment for the subordinate shares of Kunshan Chuangbo Fund as a limited partner. In 2013, Kunshan Chuangbo Fund was fully raised and went into operation, thus the fund has been reclassified to long-term equity investments (note 5(9)(a)(iii)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(16). Provisions for impairment of assets

	31 December 2012	Additions	Reductions		31 December 2013
			Through reversal	Through realization	
Provisions for bad debts					
Including:					
accounts receivable	7,000	-	-	-	7,000
other receivables	46,638	-	-	(4,847)	41,791
Provisions of inventories	27,489	-	-	(27,489)	-
Total	81,127	-	-	(32,336)	48,791

(17). Short-term borrowings

	Currency	31 December 2013	31 December 2012
Trust loans (a)	RMB	996,000	500,000
Bank loans (b)	RMB	83,976	40,600
	USD	294,939	-
Total		1,374,915	540,600

(a) Trust loans

As at 31 December 2013, short-term borrowings of RMB996,000,000 (31 December 2012: nil) are guaranteed by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17). Short-term borrowings (Continued)

(b) Bank loans

As at 31 December 2013, short-term borrowings of RMB5,000,000 (31 December 2012: nil) are credit loan of the Group, unguaranteed and unsecured.

As at 31 December 2013, short-term borrowings of USD equivalent to RMB82,918.000 (31 December 2012: nil) are guaranteed by Company.

As at 31 December 2013, short-term borrowings of RMB40,000,000 (31 December 2012: nil) are secured by certain fixed assets and intangible assets of the Group.

As at 31 December 2013, short-term borrowings of RMB38,976,000 (31 December 2012: RMB30,600,000) are secured by certain land use rights in properties under development of the Group (note 5(6)).

As at 31 December 2013, short-term borrowings of USD equivalent to RMB212,021,000 (31 December 2012: nil) are secured by certain bank deposit of the Group.

In the year ended 31 December 2013, the weighted average interest rate of short-term loan is 10.01% (2012: 12.30%).

(18). Accounts payable

The ageing analysis of accounts payable is as follows:

	31 December 2013	31 December 2012
Within 1 year	2,532,433	3,009,670
Over 1 year	1,331,731	616,237
Total	3,864,164	3,625,907

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(19). Advances from customers

	31 December 2013	31 December 2012
Advances from sales of properties under development (i)	6,983,944	7,713,750
Advances from customers of hotel services	17,909	15,466
Total	7,001,853	7,729,216

- (i) Advances from sales of properties under development represent amounts received from sale of certain properties of the Group, where the sold properties had yet been delivered as at year-end, and the related revenue were not recognised by the Group.

(20). Employee benefits payable

	31 December 2012	Current period additions	Current period reductions	31 December 2013
Wages and salaries, bonuses, allowances and subsidies	114,061	246,415	(264,738)	95,738
Staff welfare	572	1,800	(2,246)	126
Social security contributions	2,934	36,787	(35,759)	3,962
Including: Medical insurance	863	9,886	(9,803)	946
Basic pensions	1,422	22,690	(21,848)	2,264
Annuity	449	1,361	(1,475)	335
Unemployment insurance	62	1,376	(1,296)	142
Work injury insurance	61	739	(713)	87
Maternity insurance	77	735	(624)	188
Housing funds	579	13,879	(13,476)	982
Labour union funds and employee education funds	7,132	3,665	(3,337)	7,460
Director's emoluments	19,206	10,620	(1,340)	28,486
Others	736	1,806	(1,385)	1,157
Total	145,220	314,972	(322,281)	137,911

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21). Taxes payable

	31 December 2013	31 December 2012
Enterprise income tax payable	594,130	386,661
LAT payable	1,642,987	1,444,328
Business tax payable	256,308	139,947
Others	46,081	19,259
Total	2,539,506	1,990,195

(22). Dividends payables

	31 December 2013	31 December 2012
Reco Ziyang Investment Ltd. ("Reco Ziyang")	262,833	262,833
Sunshine Comprehensive Capital Group	-	17,545
Beijing Jiayuan Hongye Investment Management Ltd.	21,753	-
Zhongnan Xingye	3,941	35,435
Total	288,527	430,895

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23). Other payables

	31 December 2013	31 December 2012
Payables to associates	2,085,570	913,477
Payables to joint ventures	232,978	20,000
Collection of deeds and maintenance funds on behalf of government	144,557	149,405
Tender deposits	46,475	36,094
Consideration payable for purchase the equities and liabilities of subsidiaries	–	53,165
Consideration payable to acquire shares in subsidiaries from minority shareholders	–	36,267
Loans due to minority shareholders of subsidiaries (a)	170,780	265,857
Deposits from customers	77,734	121,022
Payables for daily operations	110,503	274,340
Advances of equity interests transfers (b)	470,000	80,444
Borrowings from other entities	3,024	3,024
Others	241,845	973,318
Total	3,583,466	2,926,413

(a) As at 31 December 2013, principals of loans borrowed from minority shareholders of subsidiaries are as follows: loan provided by Reco Ziyang to Chengdu Xinzi amounted to RMB56,714,000, which is interest free, has no fixed maturity date and is unsecured and unguaranteed; loan provided by China Infrastructure Group Limited to Most Well Limited amounted to RMB38,410,000, which is interest free, has no fixed maturity date and is unsecured and unguaranteed; loan provided by Beijing Huitian Weiye Investment Co. Ltd to Shangbodi amounted to RMB75,656,000 with interest rate of 10% higher than the interest rate of bank borrowings of the same period, no fixed maturity date and unsecured and unguaranteed.

(b) The payables include the advances from the disposal of 10% equity interests of Hainan DaleCheng Development Holding Limited (hereinafter "Hainan DaleCheng") in 2012, amounted to RMB20,000,000 and the advances from the disposal of 100% equity interests of Beijing Shangyi and shareholder loans in 2013, amounted to RMB450,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(24). Current portion of non-current liabilities

	Currency	31 December 2013	31 December 2012
Long-term borrowings due within one year (a)	RMB	4,313,357	2,940,840
	USD	288,993	–
Corporate bonds due within one year (b)	RMB	2,147,586	–
Total		6,749,936	2,940,840

(a) Long-term borrowings due within one year of the Group is stated in note 5(26).

(b) Corporate bonds due within one year is disclosed in note 5 (27)(a)(b).

(25). Other current liabilities

	31 December 2013	31 December 2012
Payables due to special fund from government (a)	–	574,722
Held-for-sale subsidiaries' long-term liabilities (b)	782,500	793,946
Total	782,500	1,368,668

(a) As at 31 December 2012, the Group received the special fund from government amounted to RMB574,722,000, of which RMB367,697,000 belongs to Qinhuangdao Real Estate. As the Group disposed Qinhuangdao Real Estate in September 2013 (note 5(9)(b)(v)), the amount is no more included in the consolidate scope of the Group. RMB207,205,000 was classified as non-operating income based on documents from government in 2013 (note 5(38)).

(b) In 2012, the Group entered into an irrevocable equity transfer contract to dispose its entire equity interests in Guangdong Project Companies (note 9). As at 31 December 2012, the residuals in non-current liabilities of Guangdong Project Companies satisfied the definition of held-for-sale liabilities, so the Group classified those residuals as other current liabilities. As at 31 December 2013, this transaction is completed and Guangdong Project Companies are no longer included in the consolidate scope of the Group.

In 2013, the Group entered into an irrevocable equity transfer contract to dispose its entire equity interests in Beijing Shangyi Companies (note 9). As at 31 December 2013, the residuals in non-current liabilities of Beijing Shangyi satisfied the definition of held-for-sale liabilities, so the Group classified those residuals as other current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26). Long-term borrowings

	Currency	31 December 2013	31 December 2012
Unsecured loans	RMB	–	304,000
Secured loans:			
– Guaranteed (a)	RMB	2,308,000	2,595,000
	USD	106,707	109,996
– Mortgaged (b)	RMB	3,163,157	4,934,360
	USD	177,408	182,877
– Pledged (c)	RMB	210,000	1,550,000
– Trust (d)	RMB	2,750,000	2,244,600
– Guaranteed, mortgaged (e)	RMB	2,578,100	573,900
	RMB	925,000	1,415,000
– Guaranteed, Pledged (f)	USD	258,753	–
– Guaranteed, mortgaged, pledged (g)	RMB	864,538	–
– Debt investment plan (h)	RMB	2,000,000	–
Subtotal		15,341,663	13,909,733
Less: long-term borrowings due within one year:			
Unsecured loans		–	(3,000)
Secured loans:			
– Guaranteed (a)	RMB	(2,308,000)	(199,000)
	USD	(106,707)	–
– Mortgaged (b)	RMB	(1,225,457)	(953,240)
	USD	(177,408)	–
– Pledged (c)	RMB	–	(600,000)
– Trust (d)	RMB	(20,000)	(751,600)
– Guaranteed and mortgaged (e)	RMB	(459,900)	(274,000)
– Guaranteed and pledged (f)	RMB	(130,000)	(160,000)
	USD	(4,878)	–
– Guaranteed, mortgaged, pledged (g)	RMB	(170,000)	–
Subtotal		(4,602,350)	(2,940,840)
Net long-term borrowings		10,739,313	10,968,893

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(26). Long-term borrowings *(Continued)*

As at 31 December 2013, long-term borrowings include,

(a) Guaranteed loans

As at 31 December 2013, the guaranteed loans of RMB and USD were equivalent to RMB2,414,707,000 (31 December 2012: RMB2,704,996,000), in which, RMB2,212,707,000 were guaranteed by the Company. Interests are payable every three months and the principal is due for repayment by installment before April 2014. RMB202,000,000 were guaranteed by third parties for subsidiaries. Interests are payable for every three months and the principal is due for repayment by installment before December 2014. RMB2,000,000,000 are guaranteed by Capital Group. Interests are payable every three months and the principal is due for repayment by installment before December 2018. Among the loans above, as RMB2,414,707,000 should be repaid before 31 December 2014, such amount was classified as long-term borrowings due within one year.

(b) Mortgaged loans

As at 31 December 2013, mortgaged loans of RMB1,452,200,000 (31 December 2012: RMB1,276,900,000) were secured by land use rights under development subsidiaries of Group (note 5(6)). The interests of principal of RMB109,700,000 are payable every three months, interests of principal of RMB1,342,500,000 are payable every month, and the principal is due for repayment by installment before October 2021. Among the loans above, as RMB428,900,000 should be repaid before 31 December 2014, such amount was classified as long-term borrowings due within one year.

As at 31 December 2013, mortgaged loans of RMB135,000,000 (31 December 2012: RMB225,000,000) were secured by buildings in properties held for sale of the Group (note 5(6)). Among the loans above, interests of principal of RMB42,000,000 are payable every three months, interests of principal of RMB93,000,000 are payable every month. The principal is due for repayment by installment before August 2016. Among the loans above, as RMB60,600,000 should be repaid before 31 December 2014, such amount was classified as long-term borrowings due within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26). Long-term borrowings (Continued)

(b) Mortgaged loans (Continued)

As at 31 December 2013, mortgaged loans of RMB813,457,000 (31 December 2012: RMB1,572,460,000) were secured by land use rights in properties under development and the related income rights of the Group (note 5(6)). Interests of principal of RMB663,457,000 are payable every three months, and interests of principal of RMB150,000,000 are payable every month. The principal is due for repayment by installment before November 2015. Among the loans above, RMB663,457,000 is due for repayment on 1 August 2014, such amount was classified as long-term borrowings due within one year.

As at 31 December 2013, mortgaged loans of RMB612,500,000 (31 December 2012: RMB1,680,000,000) were secured by certain investment properties of the Group (note 5(10)). Interest is payable every three months, and principal is due for repayment by installment before October 2021. Among the loans above, as RMB42,500,000 is due for repayment before 31 December 2014, such amount was classified as long-term borrowings due within one year.

As at 31 December 2013, mortgaged loans of RMB327,408,000 (31 December 2012: RMB362,877,000) were secured by certain buildings (notes 5(11)) and land use rights in intangible assets (note 5(12)) of the Group. Among the loans above, interest rate of USD long-term loan amounting to RMB177,408,000 is set at 1.8% above the LABOR, and the principal is due for repayment by installment before 30 March 2014. Loan of RMB150,000,000 is due for repayment by installment before 28 January 2018, and its interest is payable every three months. Among the loans above, as RMB207,408,000 is due for repayment before 31 December 2014, such amount was classified as long-term borrowings due within one year.

(c) Pledged loans

As at 31 December 2013, bank borrowings of RMB210,000,000 (31 December 2012: nil) were secured by bank deposits of the Group. The interests are payable every 3 months and principal is due for repayment by installment before 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26). Long-term borrowings (Continued)

(d) Trust loans

As at December 2013, long-term borrowings of RMB950,000,000 (31 December 2012: RMB1,248,600,000) were guaranteed by the Company. Among the loans, RMB600,000,000 is due for repayment in February 2015, with fixed interest rate of 8.50% and interests payable every 3 months; RMB350,000,000 is due for repayment by installment before November 2015, with fixed interest rate of 8.40% and interests payable every 3 months.

As at December 2013, long-term borrowings of RMB800,000,000 (31 December 2012: RMB948,800,000) were guaranteed by Capital Group and the Company. Interest rate is fixed at 8.00%. And interests are payable every three months. The principal will be due for repayment in December 2016. Among the borrowings above, as RMB20,000,000 is due for repayment before 31 December 2014, such amount was classified as long-term borrowings due within one year.

As at December 2013, long-term borrowings of RMB1,000,000,000 (31 December 2012: nil) were guaranteed by Capital Group. Interest rate is fixed at 8.20%. And interests are payable every three months. The principal will be due for repayment in 28 March 2016.

(e) Guaranteed and mortgaged loans

As at 31 December 2013, the guaranteed and mortgaged loans of the Group amounted to RMB2,578,100,000 (31 December 2012: RMB573,900,000). RMB883,000,000 (31 December 2012, RMB419,900,000) is guaranteed by the Group and secured by land use rights in properties under development (note 5(6)) of the Group; RMB500,000,000 (31 December 2012: nil) is guaranteed by the Company and secured by certain residential properties of properties under development (note 5(6)) of the Group. RMB200,000,000 (31 December 2012: nil) is guaranteed by the Company and secured by certain investment properties (note 5(10)) of the Group; RMB502,100,000 (31 December 2012: nil) is guaranteed by the Company and secured by certain land use rights in properties under development (note 5(6)) of the Group; RMB190,000,000 (31 December 2012: nil) is guaranteed by the subsidiaries and secured by certain land use rights in properties under development (note 5(6)) of the Group; RMB303,000,000 (31 December 2012: nil) is guaranteed by the subsidiaries and secured by certain land use rights and residential properties in properties under development (note 5(6)) of the Group. The borrowings above should be repaid by installment before July 2017. Among the loans above, as RMB459,900,000 is due for repayment before 31 December 2014, such amount was classified as long-term borrowings due within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(26). Long-term borrowings *(Continued)*

(f) Guaranteed and pledged loans

As at December 2013, the guaranteed and pledged loans of the Group were amounted to RMB1,183,753,000 (31 December 2012: RMB1,415,000,000). RMB87,500,000 (31 December 2012: RMB307,500,000) was guaranteed by the Company, RMB87,500,000 (31 December 2012: RMB307,500,000) was guaranteed by the rights and gains of primary land development projects (note 5(6)). Interests are payable every 3 months and the principal is due for repayment by installment before May 2017. RMB750,000,000 (31 December 2012: RMB800,000,000) is guaranteed by the Company and secured by the equity of Qingdao and Yantai Companies which acquired by the Group. USD borrowing equivalent to RMB258,753,000 (31 December 2012: nil) is secured by equity of the subsidiaries of the Company and is guaranteed by subsidiaries. Among loans above, as RMB134,878,000 is due for repayment on before 31 December 2014, such amount was classified as long-term borrowings due within one year. Other principal is due for repayment by installment before March 2017.

(g) Guaranteed, mortgaged and pledged loans

As at December 2013, the guaranteed, mortgaged and pledged loans of the Group amounted to RMB864,538,000 (31 December 2012: nil). RMB170,000,000 (31 December 2012: nil) are guaranteed by the Company, pledged by the real estate development projects and the right to yield on certain projects (note 5(6)). RMB694,538,000 (31 December 2012: nil) are guaranteed by the Company, pledged by the land use rights under real estate development projects and the right to yield on certain projects (note 5(6)). Among the loans above, as RMB170,000,000 is due for repayment before 31 December 2014, such amount was classified as long-term borrowings due within one year. Principal left is due for repayment by installment before March 2017.

(h) Debt investment plan

As at 31 December 2013, the Group revised RMB2,000,000,000 through a debt investment plan (31 December 2012: nil). The loan was guaranteed by Capital Group. Interests are payable every three months and the principal is due for repayment by installment before December 2018.

In the year ended 31 December 2013, the weighted average interest rate of long-term loans is 8.40% (2012: 8.20%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27). Debentures payable

	31 December 2012	Additions	Reductions	Debentures payable due with 1 year	31 December 2013
Corporate Bonds	4,108,020	17,098	-	(2,147,586)	1,977,532

- (a) According to the Document Number 764 (2009) "Approval of corporate bond public issuance by Beijing Capital Land Limited" released by China Securities Regulatory Commission on 10 August 2009, the Company was authorised to publicly issue domestic corporate bonds of no more than RMB1,800,000,000.

The Company issued RMB1,000,000,000 corporate bond on 24 September 2009, the proceeds net of issuance costs is RMB986,000,000. The bond carries an annually fixed interest rate of 6.5%. The maturity period of the bond is 5 years, the principal and the interest of the last period is repayable on the maturity date. Of the fund raised, RMB200,000,000 was used to repay the bank loan due to China Development Bank. The remaining proceeds are used for property development purposes. As at 31 December 2013, net value of the corporate bond is RMB997,755,000. The principle of the fund should be repaid on 24 September 2014, so it is classified as debenture payable within one year.

Capital Group provides unconditional and irrevocable joint liability guarantees for the bond over the period of issuance and 180 days after the maturity date.

- (b) On 14 February 2011, the Group's wholly-owned subsidiary BECL issued corporate bonds amounted to RMB1,150,000,000, and the proceeds net of issuance costs were RMB1,140,078,000. The bond carries a fixed annual interest rate of 4.75% with a maturity period of 3 years, and the interest will be paid every six months. The principal will be full repayable on the maturity date. The fund was raised for the equity acquisition and investment of the overseas real estate projects and for supplement of the liquidity of the Group. The Company provided guarantees for the repayment of both the principals and interests. As at 31 December 2013, net value of the corporate bond is RMB1,149,831,000. The principal is due for repayment on 14 February 2014. So it is classified as debenture payable within one year.
- (c) On 29 November 2012, Central Plaza, a wholly owned subsidiary of the Company issued corporate bonds amounted to RMB2,000,000,000. The proceeds net of issuance costs is RMB1,966,065,000, of which RMB152,000,000 is security deposit of bond interests (note 5(1)). The bond carries a fixed annual interest rate of 7.6% with a maturity period of 3 years, and the interest will be paid every six months. The principal and the last interests will be fully repayable on the maturity date. IFC and part of its subsidiaries provided guarantees and the Company entered into a keepwell deed for the above bonds. Pursuant to the keepwell deed, the Company assist Central Plaza to remain solvent and a going concern at all times, and guarantee Central Plaza and IFC have sufficient liquidity to ensure timely repayment and the terms and conditions of the bonds and other obligations under the keepwell deed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(28). Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	As at 31 December 2013		As at 31 December 2012	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairment	10,078	40,314	15,632	62,529
Accrued salaries and other costs	117,246	468,982	166,145	664,580
Accumulated losses	70,596	282,383	65,210	260,840
Internal unrealised profits elimination	165,019	660,077	60,474	241,896
Total	362,939	1,451,756	307,461	1,229,845

As at 31 December 2013, the Group has not recognised deferred tax assets of RMB222,711,000 (31 December 2012: RMB160,347,000) in respect of deductible losses amounting to RMB890,842,000 (31 December 2012: RMB641,389,000), which will be expired as follows:

	31 December 2013	31 December 2012
Within 1 year	80,793	8,445
Between 1 to 2 years	55,147	80,793
Between 2 to 3 years	239,400	55,147
Between 3 to 4 years	257,604	239,400
Over 4 years	257,898	257,604
Total	890,842	641,389

As at 31 December 2013, the Group has not recognised deferred tax assets of RMB2,119,000 (31 December 2012: RMB4,650,000) in respect of impairment losses amounting to RMB8,477,000 (31 December 2012: RMB18,598,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28). Deferred tax assets and deferred tax liabilities (Continued)

(b) Deferred tax liabilities before offsetting

	As at 31 December 2013		As at 31 December 2012	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Withholding income tax	12,118	127,889	3,876	15,506
Change in fair value of available-for-sale financial assets	14,575	58,301	17,850	71,399
Business combination not under common control	45,740	182,961	63,333	253,332
Change in fair value of investment properties recognised in profit or loss	197,768	791,072	89,940	359,760
Capitalised interests	137,281	549,116	45,059	180,236
Changes in fair value of investment properties recognised in capital surplus (note 5(10))	412,136	1,648,544	440,146	1,760,585
Total	819,618	3,357,883	660,204	2,640,818

(c) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2013	31 December 2012
Deferred tax assets, net	323,273	280,980
Deferred tax liabilities, net	779,952	633,723

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(29). Share Capital

	Number of shares (In thousand)	Share capital (RMB'000)
Registered, issued and fully paid: as at 31 December 2013	2,027,960	2,027,960
Registered, issued and fully paid: as at 31 December 2012	2,027,960	2,027,960

(30). Capital surplus

	31 December 2012	Additions	Reductions	31 December 2013
Capital premium (a)	794,472	56,169	(54,363)	796,278
Other capital surplus, including:				
Change in fair value of available-for-sale financial assets	53,549	7,569	(17,390)	43,728
Change in fair value due to transfer between inventories and investment property (b)	1,320,439	9,998	(94,029)	1,236,408
LAT compensated by promoter	35,974	-	-	35,974
Fair value appreciation of previously held interest in a business combination achieved in stages	21,975	-	(21,975)	-
Total	2,226,409	73,736	(187,757)	2,112,388

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30). Capital surplus (Continued)

	31 December 2011	Additions	Reductions	31 December 2012
Capital premium	925,266	–	(130,794)	794,472
Other capital surplus, including:				
Change in fair value of available-for-sale financial assets	24,918	28,631	–	53,549
Increase in fair value due to transfer from inventory to investment property (c)	–	1,320,439	–	1,320,439
LAT compensated by promoter	35,974	–	–	35,974
Fair value appreciation of previously held interest in a business combination achieved in stages	95,538	–	(73,563)	21,975
Total	1,081,696	1,349,070	(204,357)	2,226,409

- (a) In December 2013, the Group sold all equity interests and shareholders' loans of Speed Plus and Opal Treasure wholly owned by the Group and 50% equity interests of Tiancheng Yongtai indirectly held by Opal Treasure to ICBC International. The transaction led to an increase in capital surplus of RMB55,642,000 (note 4(4)(1)).

In August 2013, the Group purchased the 40% equity interests in Jingjin Tongcheng held by CDIC. The transaction led to a decrease in capital surplus of RMB54,363,000 (note 4(4)(2)).

In October 2013, the Group purchased the 10% equity interests of Tianjin Jiaming held by Zhongnan Xingye and recognised an increase in capital surplus of RMB527,000 (note 4(4)(3)).

- (b) In 2013, investment properties subsequently measured at fair value of some subsidiaries of the Group are transferred to inventories for sale purpose (note 5(10)(b)(ii)). Since some of the properties are sold and satisfy the revenue recognition policies, the assessed fair value increase recognized in capital surplus are transferred to profit or loss for the current year, and capital surplus decreased for RMB94,029,000. In 2013 the Group transferred some inventories to investment properties subsequently measured at fair value, the difference between the fair value and book value at the transferring date as recognised as capital surplus increase amounted to RMB9,998,000 of the Group.
- (c) In 2012, the Group reclassified some inventories to investment properties subsequently measured at fair value. The Group recognised an increase in capital surplus according to the difference between the fair value of the investment properties and their original book value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(31). Surplus reserve

	31 December 2012	Additions	Reductions	31 December 2013
Statutory surplus reserve	341,768	-	-	341,768

	31 December 2011	Additions	Reductions	31 December 2012
Statutory surplus reserve	338,540	3,228	-	341,768

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. In the year ended 31 December 2013, the Company did not appropriate statutory surplus reserve (2012: RMB3,228,000).

The Company appropriates for the discretionary surplus reserve after approval in the shareholders' meeting proposed by the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. The Company did not appropriate discretionary surplus reserve in the year ended 31 December 2013 (2012: nil).

(32). Undistributed profits

	31 December 2013	31 December 2012
Dividends proposed but not declared	446,151	324,474
Total proposed dividends in the year	324,474	385,312

As at 31 December 2013, included in the undistributed profits, RMB810,913,000 is subsidiaries' surplus reserve of subsidiaries attributable to the Company (31 December 2012, RMB718,173,000), RMB92,740,000 of which is appropriated for the year of 2013 (2012: RMB75,650,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(32). Undistributed profits (Continued)

In accordance with the resolution at the Annual General Meeting dated on 26 April 2012, the Company declared a cash dividend of RMB0.19 per share to the shareholders for the year 2011, which amounted to RMB385,312,000 based on the Company's total issued number of shares which is 2,027,960,000.

In accordance with the resolution at the Annual General Meeting dated on 17 April 2013, the Company declared a cash dividend of RMB0.16 per share to the shareholders for the year 2012, which amounted to RMB324,474,000 based on the Company's total issued number of shares which is 2,027,960,000.

On the meeting of Board of directors held on 9 February 2014, the Board of directors proposed to declare a dividend of RMB0.22 per share for the Year 2013 with a total amount of RMB446,151,000. The dividend proposal will be approved by shareholders on the Annual General Meeting which will be held on 14 March 2014.

(33). Minority interests

Minority interests attributable to the shareholders of significant subsidiaries are as follows:

	31 December 2013	31 December 2012
Tianjin Banshan	333,546	331,773
Tianjin Xinyuan	333,009	302,050
Tianjin Xingang	324,701	310,514
Qishi Tianyuan	-	3,002
Chengdu Yidu	437,492	332,169
Chongqing Xinshi	549,905	420,233
Jingjin Tongcheng	17,451	85,737
Shangbodi	33,732	15,455
Outlets Guangdong	-	176,767
Qingdao Guoxin Yicheng Investment Management Co. Ltd	4,891	4,900
Capital Qinglv	141,963	146,521
Tianjin Jiaming	-	8,526
Guangdong Guansheng	-	99,818
Guangdong Rongxin	-	75,036
Guangdong Jingsheng	-	25,200
Juda International	54,193	-
Tiancheng Yongtai	837,075	-
Senior perpetual securities issued by a subsidiary (a)	2,380,950	-
Investments absorbed from specific capital management plan (b)	2,010,000	-
Others	61,836	48,749
Total	7,520,744	2,386,450

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(33). Minority interests *(Continued)*

- (a) On 8 April 2013, the Group's wholly owned subsidiary Central Plaza issued senior perpetual securities (hereinafter the "Perpetual securities") callable in 2018, with a total amount of USD400,000,000.

The Company entered into a Keepwell Deed for the perpetual securities, and at the same time is obliged to distribute dividends at an annual rate of 8.375% semiannually. The issuer of the perpetual securities may elect to defer distribution, and is not subject to any restriction as to the number of times distribution can be deferred. However, if Central Plaza or the Company announced the dividends, Central Plaza may not defer distribution.

Pursuant to the terms of perpetual securities the Group has no contractual obligation to repay its principal or to pay any distribution. The Perpetual securities do not meet the definition as financial liabilities should be classified as equity instruments. The investments are recognised as minority interests and subsequent distribution declared will be treated as profit distribution to equity owners.

On the meeting of Board of directors which held on 28 February 2013, the Board of directors proposed to declare dividend to all shareholders. Based on the terms about the capital securities, Central Plaza could not defer the semi-annual dividend of USD16,750,000 for the half year ended 8 October 2013, amounted to RMB103,494,000.

The perpetual securities, with an aggregate principal amount of USD400,000,000 (equivalent to RMB2,506,000,000) are recorded as minority interests amounted at RMB2,333,945,000 net of issuance costs and the semi-annual distribution proposed on 8 October 2013.

As at 31 December 2013, minority interests include dividends attributable to the shareholders amounting to RMB47,005,000, which is calculated at the annual rate of 8.375%.

- (b) In December 2013, Minsheng Royal Asset Management Co., Ltd (hereafter "Minsheng Royal") established specific capital management plan with the scale amounted to RMB2,200,000,000. Among the amount raised, except for the secondary shares held by the Company, Minsheng Royal held senior units amounted to RMB1,760,000,000, and Financial Street held secondary units amounted to RMB250,000,000. Since this capital management plan is a Special Purpose Equity by the group for financing, it should be consolidated in the financial statement as an SPE.

According to the terms of this specific capital management plan, the Group has no contracted obligation to pay the principal or interests to other investors under the Specific Assets Management Plan, therefore the investment from the specific capital management plan complied with the definition of equity instrument. This investment from the specific capital management plan should be classified as equity instrument. The Group recognised minority interests amounting to RMB2,010,000,000 at the consolidation level. It may classified as distribution if the Group announced relative dividends. Subsequent distribution declared will be treated as profit distribution to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34). Revenue and cost of sales

	2013	2012
Main operating revenue (a)	11,086,164	9,081,078
Other operating revenue (b)	234,676	52,976
Total	11,320,840	9,134,054

	2013	2012
Main operating cost (a)	7,491,132	6,159,287
Other operating cost (b)	64,380	1,051
Total	7,555,512	6,160,338

(a) Revenue and cost of sales

	2013		2012	
	Revenue	Cost of sales	Revenue	Cost of sales
Sale of properties and related consulting services	10,593,509	7,397,686	8,973,890	6,058,985
Leasing income of Outlets	34,037	-	-	-
Hotel Services	98,618	93,446	107,188	100,302
Total	11,086,164	7,491,132	9,081,078	6,159,287

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(34). Revenue and cost of sales *(Continued)*

(b) Other operating revenue and cost

	2013		2012	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Sale of investment properties	141,281	45,490	–	–
Leasing and other operations	73,908	303	52,976	1,051
Chemical products sales	19,487	18,587	–	–
Total	234,676	64,380	52,976	1,051

(35). Tax and surcharges

	2013	2012
Business tax	589,059	484,620
LAT	405,942	468,659
Others	74,221	52,826
Total	1,069,222	1,006,105

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36). Financial expenses/(income) – Net

	2013	2012
Interest expenses	1,484,980	1,346,616
Including: Bank loans	766,999	786,880
Trust loans	386,125	366,125
Corporate bonds	284,389	140,552
Other loans	47,467	53,059
Less: Amount capitalised	(906,879)	(1,134,178)
Interest expenses – net	578,101	212,438
Reversal of long-term receivables discounts	–	(58,841)
Interest income	(335,683)	(235,445)
Exchange gains or losses – net	20,849	(23,378)
Others	8,463	11,499
Net	271,730	(93,727)

Interest expenses are analysed by the repayment terms of bank and other borrowings as follows:

	31 December 2013		31 December 2012	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	707,211	717,981	729,768	559,736
Not wholly repayable within five years	59,788	–	57,112	–
Total	766,999	717,981	786,880	559,736

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(37). Impairment losses

	2013	2012
Provisions of bad debts	–	10,368
Provision for inventories	–	27,489
Total	–	37,857

(38). Non-operational income

	2013	2012
Excess of the fair value of the identifiable net assets acquired over the total consideration	–	18,455
Government grants (a)	254,018	2,235
Gains on disposal of fixed assets	35	227
Others	1,970	1,539
Total	256,023	22,456

(a) This balance is the business development subsidy provided by local government of wholly owned subsidiary of the Group (note 5(25)(a)).

(39). Non-operational expense

	2013	2012
Loss on disposal of fixed assets	5	5
Donations	238	932
Sponsorship fees	–	304
Default fine (i)	44,977	7,360
Others	13,164	7,149
Total	58,384	15,750

(i) In 2013, the default fine is the provision of the wholly-owned subsidiary of the Group since the property ownership certificates of the sold projects cannot be made in time based on the pre-sale contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(40). Gains on changes in fair value

	2013	2012
Financial assets held for trading (note 5(2))	58,440	–
Investment properties subsequently measured at fair value (note 5(10)(b))	431,312	359,760
Total	489,752	359,760

(41). Investment income

	2013	2012
Income from long-term equity investment under equity method	99,153	47,171
Income from on disposal of joint ventures and associates	2,366	38,250
Income from disposal of available-for-sale financial assets (note 5(8))	9,865	–
Dividend income from available-for-sale financial assets	772	–
Income from disposal of subsidiaries (note 4(2))	73,088	–
Others	17,270	–
Total	202,514	85,421

(42). Depreciation, amortization and other operating expenses

	2013	2012
Depreciation of fixed assets	41,417	41,251
Amortisation of intangible assets	1,046	1,046
Amortisation of long-term prepaid expenses	1,821	1,034
Employee benefits	148,496	153,447
Audit fees	11,042	9,990
Operating lease rentals	1,792	715

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(43). Income tax expenses

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for Year 2013 (2012: nil).

PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable PRC income tax rate is 25% (2012: 25%)

Withholding income tax should be charged against income from taxable dividends of non-resident enterprises in the Mainland and investments disposal in Mainland China with the tax rate of 5%-10% according to the relevant laws and regulations in the PRC.

The amount of taxation charged to the consolidated income statement represents:

	2013	2012
Current income tax	560,181	543,476
Deferred income tax	150,287	21,847
Total	710,469	565,323

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2013	2012
Total profit	2,624,192	1,898,986
Income tax expenses calculated at applicable tax rates (25%)	656,048	474,747
Share of profits less losses of joint ventures and associates	(24,788)	(11,792)
Expenses, costs and losses not deductible for tax purposes	10,653	10,379
Profit not subject to tax	(2,591)	-
Tax losses for which no deferred income tax asset was recognised	64,474	62,293
Provisions of impairment loss for which no deferred income tax asset was recognised	-	2,108
Impact attributable to the lower withholding income tax rate	8,242	10,826
Others	(1,569)	16,762
Income tax expenses	710,469	565,323

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44). Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

	2013	2012
Profit attributable to equity holders of the Company	1,522,006	1,110,925
Weighted average number of shares in issue (thousands)	2,027,960	2,027,960
Basic earnings per share (RMB cents per share)	75	55
Including:		
– Basic earnings per share relating to continuing operation	75	55
– Basic earnings per share relating to discontinue operation	–	–

Diluted earnings per share are equal to the basic earnings per share since the Company has no dilutive potential shares during the period.

(45). Other Comprehensive Income

	2013	2012
Fair value loss on available-for-sale financial assets, gross	(3,229)	38,169
Less: Income tax arised	807	(9,542)
Fair value gains on transfer from inventories to investment properties, gross	13,331	1,760,585
Less: Income tax arised	(3,333)	(440,146)
Net amount of reclassifications from other comprehensive income to loss	(135,237)	5
Less: Income tax arised	33,809	(1)
Subtotal	(93,852)	1,349,070
Difference on translation of foreign currency financial statements	7,668	(4,253)
Total	(86,184)	1,344,817

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(46). Notes to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2013	2012
Net profit	1,913,723	1,333,663
Add: Provisions for asset impairment (note 5(37))	–	37,857
Depreciation of fixed assets (note 5(11))	41,417	41,251
Amortization of intangible assets (note 5(12))	1,046	1,046
Amortisation of long-term prepaid expenses	1,821	1,034
Gain on disposal of fixed assets, intangible assets and other long-term assets	(30)	(222)
Gain on disposal of investment properties (note 5(34)(b))	(95,791)	–
Financial expenses	331,333	(42,868)
Investment income (note 5(41))	(202,514)	(85,421)
Excess of acquirer's interests in fair value of identifiable net assets over consideration (note 5(38))	–	(18,455)
Increase in deferred tax assets	(46,703)	(100,923)
Increase in deferred tax liabilities	175,516	110,840
Increase in inventories	(7,513,597)	(1,210,818)
Gains on change in fair value of investment properties (note 5(40))	(489,752)	(359,760)
Transfer out of assets value in a business combination achieved in stages through disposal of relevant assets (note 5(30))	21,975	73,563
Increase in restricted cash (note 5(1))	(87,982)	(11,161)
Increase in operating receivables	(586,650)	(698,962)
Increase in operating payables	2,078,268	754,696
Net cash flows from operating activities	(4,457,920)	(174,640)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(46). Notes to consolidated cash flow statements (Continued)

(b) Net increase/(decrease) in cash

	2013	2012
Cash at end of the year	10,487,655	8,076,269
Less: cash at beginning of the year	(8,076,269)	(7,974,900)
Net increase in cash	2,411,386	101,369

(c) Cash

	2013	2012
Cash at bank and on hand (note 5(1))	11,345,380	8,616,773
Less: restricted cash at bank (note 5(1))	(857,725)	(540,504)
Cash at end of the year	10,487,655	8,076,269

(d) Acquisition or disposal of subsidiary

Cash flow statements of subsidiary disposed by the Group in the year ended 31 December 2013 is stated in note 4(2).

Cash flow statements of subsidiary acquired by the Group in the year ended 31 December 2013 is stated in note 4(3).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

6. SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different products or service, or operate in different areas. Different businesses or areas require different marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and values their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 6 reportable segments as follows:

- Beijing region, which is mainly engaged in the property development and sales in Beijing region.
- Tianjin region, which is mainly engaged in the property development and sales in Tianjin region.
- Chengyu region, which is mainly engaged in the property development and sales in Chengyu region.
- Other regions, which are mainly engaged in the property development and sales in other regions, including Wuxi, Shenyang, Xi'an, Jiangsu, Zhejiang, Hainan and so on.
- Investment property division, which is mainly engaged in the investment property operations.
- Hotel operations, which are mainly engaged in hotel business and providing corresponding services.

Inter-segment transfers are measured by reference to sales to third parties. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

(1). Segment information for the year ended 31 December 2013 is as follows:

	Property development				Investment Property RMB'000	Hotel Operations RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
	Beijing RMB'000	Tianjin RMB'000	Chengyu RMB'000	Others RMB'000					
Revenue from external customers	2,593,048	2,925,187	3,837,100	1,632,960	175,318	98,618	58,609	-	11,320,840
Inter-segment revenue	-	-	-	3,268	-	-	-	(3,268)	-
Interest income	59,175	12,145	10,819	5,987	10,955	131	799,369	(562,898)	335,683
Interest expenses	(487,378)	(93,764)	(95,738)	(11,707)	(17,118)	(22,813)	(412,481)	562,898	(578,101)
Share of (loss)/profit of associates and joint ventures	(16,195)	1,055	-	107,508	6,785	-	-	-	99,153
Asset impairment losses	-	-	-	-	-	-	-	-	-
Depreciation and amortization	7,277	1,291	572	2,944	380	25,127	6,693	-	44,284
Total profit/(loss)	897,057	593,883	678,207	495,979	174,527	(23,290)	(41,887)	(150,284)	2,624,192
Income tax expenses	(160,721)	(126,355)	(169,224)	(111,923)	(43,632)	-	(16,227)	(82,387)	(710,469)
Net profit/(loss)	736,336	467,528	508,983	384,056	130,895	(23,290)	(58,114)	(232,671)	1,913,723
Total non-current assets (except deferred tax assets and financial assets)	1,590,344	146,688	894	1,173,284	602,924	346,859	441,636	249,700	4,552,329
Total assets	29,548,925	14,893,787	6,606,762	16,793,777	2,473,673	535,957	49,561,959	(64,224,152)	56,190,688
Total liabilities	(19,242,822)	(11,599,352)	(4,029,533)	(13,280,237)	(2,012,763)	(518,796)	(42,588,535)	53,309,834	(39,962,204)
Long-term equity investments in associates and joint ventures	624,798	531,138	-	972,741	155,120	-	-	-	2,283,797
Increase/(Decrease) of non-current assets other than long-term equity investments	41,458	1,269	97	4,507	(2,177,803)	(100)	10,847	-	(2,119,725)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

6. SEGMENT INFORMATION (Continued)

(1). Segment information for the year ended 31 December 2013 is as follows:

(Continued)

The Company and most significant subsidiaries are located in Mainland China. For the year of 2013, no segment generated revenue from a single significant customer or foreign customers.

As at 31 December 2013, the Group's non-current assets that are located in other countries amount to RMB323,000.

(2). Segment information for the year end 31 December 2012 is as follows:

	Property development				Investment Property RMB'000	Hotel Operations RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
	Beijing RMB'000	Tianjin RMB'000	Chengyu RMB'000	Others RMB'000					
Revenue from external customers	3,983,155	1,575,123	2,056,181	1,277,006	-	107,188	135,401	-	9,134,054
Inter-segment revenue	-	-	-	89,019	-	-	-	(89,109)	-
Interest income	102,799	32,836	36,520	236,024	-	159	271,981	(444,874)	235,445
Interest expenses	(223,321)	-	(8,952)	(281,909)	-	(24,010)	(209,418)	594,013	(153,597)
Share of (loss)/profit of associates and joint ventures	(5,987)	12,269	-	18,274	22,615	-	-	-	47,171
Asset impairment losses	(10,368)	-	-	(27,489)	-	-	-	-	(37,857)
Depreciation and amortisation	4,271	615	559	6,380	-	25,823	5,683	-	43,331
Total profit/(loss)	1,033,517	255,784	338,279	40,739	359,760	(23,298)	40,926	(146,721)	1,898,986
Income tax expenses	(296,848)	(63,948)	(83,603)	(14,152)	(89,940)	-	(8,647)	(8,185)	(565,323)
Net profit/(loss)	736,669	191,836	254,676	26,587	269,820	(23,298)	32,279	(154,906)	1,333,663
Total non-current assets (except deferred tax assets and financial assets)	(2,794,493)	(2,141)	(1,236)	(263,353)	(495,545)	(372,085)	(1,415,483)	(2,192,290)	(7,536,626)
Total assets	19,600,939	10,871,312	8,148,119	33,256,713	5,822,577	563,965	16,199,515	(46,926,652)	47,536,488
Total liabilities	17,925,059	7,992,286	6,086,031	7,555,115	591,696	523,513	32,363,189	(35,503,412)	37,533,477
Long-term equity investment in associates and joint ventures	133,647	565,921	-	851,993	148,335	-	-	-	1,699,896
Increase of non-current assets other than long-term equity investments	1,571	155	698	4,825	2,962,033	358	2,731	-	2,972,371

For the year of 2012, no segment generated revenue from a single significant customer or foreign customers.

As at 31 December 2012, the Group has no non-current assets that are located in other countries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1). The parent company and subsidiaries

The general information and other related information of the subsidiaries is set out in note 4.

(a) General information of the parent company:

	Place of registration	Nature of business
Capital Group	Beijing, The PRC	Infrastructure, financial securities, industrial technology, commercial trade, tourist hotel, etc.

The Company's ultimate controlling party is Capital Group.

(b) Registered capital and changes in registered capital of the parent company:

	31 December 2012	Current year additions	Current year decreases	31 December 2013
Capital Group	3,300,000	-	-	3,300,000

(c) The proportions of equity interests and voting rights in the Company held by the parent company:

	As at 31 December 2013			As at 31 December 2012		
	Direct interest held %	Indirect interest held %	Voting rights %	Direct interest held %	Indirect interest held %	Voting rights %
Capital Group	15.34	16.68	32.02	15.34	16.68	32.02

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2). Information of joint ventures and associates

The general information of joint ventures and associates is set out in note 5(9).

(3). Information of other related parties

Name of related entities	Relationship with the Company
Capital Development	Promoter of the Company
Sunshine Comprehensive	Promoter of the Company
Reco Ziyang	Non-controlling interests of subsidiaries
Recosia	Non-controlling interests of subsidiaries
Yangguang Xinye	Under significant influence by the same key management personnel and in substance constitute of a related party
Zirui Xinli	Subsidiary of Yangguang Xinye
Hongcheng Zhanye	Subsidiary of Yangguang Xinye
Xingtai Jicheng	Subsidiary of joint venture of the Company
Tianjin Xingtai Jifeng Real Estate Development Co., Ltd. ("Xintai Jifeng")	Subsidiary of joint venture of the Company
Shouyong Real Estate	Subsidiary of joint venture of the Company
Qinghuangdao Real Estate	Subsidiary of associate of the Company

(4). Related party transactions

The Board considers all transactions with related parties are on normal commercial terms, prices of related party transactions was agreed by the Group and its related parties.

(a) Providing consulting service

	2013	2012
Tianjin Xinming	–	1,223
Tianjin Xinqing	4,398	6,044
Xi'an Xinkai	17,546	2,155
Shenyang Jitian	–	4,710
Shenyang Xinzi	27,556	2,679
Xingtai Jicheng	17,592	–
Shouyong Real Estate	2,000	–
Total	69,092	16,811

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4). Related party transactions (Continued)

(b) (Receive)/Provide funding

	2013	2012
Dalecheng	–	(104,500)
Capital Jiaming	(130,241)	10,000
Zirui Xinli	–	(13,873)
Financial Street	(261,800)	34,847
Tianjin Xinming	(264,250)	(6,500)
Tianjin Xinqing	(247,450)	(216,500)
Xi'an Xinkai	(550,650)	549,139
Shenyang Xinzi	(89,650)	(78,921)
Shenyang Jitian	(14,000)	7,800
Yangguang Xinye	–	791,504
Hongcheng Zhanye	–	19,285
GoldenNet	(3,704)	3,388
Huzhou Rongcheng	(34,000)	224,750
Huzhou Rongcheng	–	(224,750)
Beijing Wanzhu	(205,095)	(32,391)
Capital Qinglv Culture	(20,000)	–
Xingtai Jicheng	(573,545)	–
Xingtai Jifeng	95,175	–
Shouyong Real Estate	(120,473)	–
International School	(33)	–
Total	(2,419,716)	963,278

(c) Commission fee

	2013	2012
GoldenNet	16,427	133,801

The Group entrust GoldenNet as exclusive sales agent of certain projects. The commission fee payable was charged by certain percentage based on property sales price.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4). Related party transactions (Continued)

(d) Interest income/(expense)

	2013	2012
Beijing Wanzhu	1,682	12,038
Financial Street	21,045	–
Capital Jiaming	1,055	4,601
Huzhou Rongcheng	–	2,955
Xi'an Xinkai	–	(5,500)
Qinghuangdao Real Estate	12,255	–
Xingtai Jifeng	15,588	–
Total	51,625	14,094

(e) Guarantees

	2013	2012
Capital Group for the Company	4,000,000	1,000,000

In 2009, the parent company Capital Group, provided irrevocable guarantee for the corporate bond amounted to RMB1,000,000,000 issued by the Company. The guarantee maturity date is March, 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(4). Related party transactions *(Continued)*

(e) Guarantees *(Continued)*

In 2013, the parent company Capital Group, provided irrevocable guarantee for the long-term borrowings amounted to RMB1,000,000,000 borrowed from Xiamen International Trust Co Ltd.. The guarantee maturity date is March, 2018.

In 2013, the parent company Capital Group, provided irrevocable guarantee for the long-term borrowings amounted to RMB2,000,000,000 borrowed from China Life Insurance Company Limited, Beijing Branch. The guarantee maturity date is December, 2018.

	2013	2012
The Company for subsidiaries	9,978,763	7,276,996
Subsidiaries for the Company	-	154,000
Subsidiaries for subsidiaries	5,190,512	2,000,000

In February 2011, the Company provided irrevocable guarantee for the corporate bond amounted to RMB1,150,000,000 issued by its wholly owned subsidiary BECL. The guarantee maturity date is February, 2014.

In November 2012, the Company provided Keepwell Deed for the corporate bond amounted to RMB2,000,000,000 issued by its wholly owned subsidiary Central Plaza. IFC, a wholly owned subsidiary of the Company is arranged to provide guarantee for the corporate bond above (note 5(27)(c)).

In April 2013, the Company provided Keepwell Deed for the senior perpetual securities amounted to USD400,000,000 issued by its wholly-owned subsidiary Central Plaza. IFC, a wholly-owned subsidiary of the Company and some of its subsidiaries arranged to provide guarantee for the equity instruments above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4). Related party transactions (Continued)

(f) Key management compensation

	2013	2012
Salary and other short-term employee welfare	30,152	28,932
Others	496	437
Remuneration of key management personnel	30,648	29,369

- (g) In 2013, a wholly owned subsidiary of Tonghua Qiangyu initiated the establishment of Kunshan Chuangbo Fund with the scale amounted to RMB993,370,000 as general partner. The Company holds 16.4% subordinated units of Kunshan Chuangbo Fund, and Kunshan Chuangbo Fund is recognised as a joint venture (note 5(9)(a)(iii)). In February 2013, the Group disposed of its entire equity interest in Yongyuan Jintai and Xingtai Jicheng to Kunshan Chuangbo Fund (note 4(2)(2)).
- (h) Zhuhai Hengqin Fund is a limited partnership company established by Zhuhai Hengqin Fund Management Company as general partner in 2013. The issuing scale of Zhuhai Hengqin Fund amounting to RMB850,000,000. The Company holds 28.24% of the intermediate units in Zhuhai Hengqin Fund. Zhuhai Hengqin Fund has been classified as joint ventures of the Company (note 5(9)(a)(vii)). The Group transferred 100% shares of Shouyong Real Estate to Zhuhai Hengqin Fund in July 2013 (note 4(2)).
- (i) In 2013, Financial Street, an associate of the Company, purchased secondary units of specific capital management plan amounting to RMB250,000,000 as a secondary investor (note 5 (33)(b)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances

(a) Advances to suppliers

	31 December 2013	31 December 2012
GoldenNet	19,298	34,280

(b) Long-term receivables (note 5 (13))

	31 December 2013	31 December 2012
Financial Street (i)	292,380	522,293
Total	292,380	522,293

(i) As at 31 December 2013, the receivable includes principal and interests from Financial Street, an associate of the Group. The receivable began to charge interest from 1 January 2013 at the interest rate of bank borrowings with the same period. Since the receivable has no fixed maturity date and the Group expected that the receivable will not be collected within one year, the receivable is classified as long-term receivable.

(c) Dividends receivables (note 5(5))

	31 December 2013	31 December 2012
Tianjin Xinming	9,825	9,825
Xi'an Xinkai	87,422	87,422
Total	97,247	97,247

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5). Related party balances (Continued)

(d) Other receivables (note 5(3)(b))

	31 December 2013	31 December 2012
Beijing Wanzhu	–	205,095
GoldenNet	241	3,852
Huzhou Rongcheng	–	6,567
Capital Jiaming	–	79,202
Chaoyang Investment	8,020	8,020
Qinhuangdao Real Estate (i)	140,206	–
Xingtai Jifeng (ii)	95,175	–
Total	243,642	302,736

(i) The receivable includes the principal of RMB101,000,000 and interests of RMB39,206,000 due from Qinhuangdao Real Estate to the Group, with fixed interest rate of 20%, no fixed maturity date, unsecured and unguaranteed.

(ii) The receivable includes the principal provided by the Group to Xingtai Jifeng, with fixed interest rate of 10%, unsecured and unguaranteed.

Except for the two receivables above, all the other receivables are interest free, unsecured and unguaranteed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances *(Continued)*

(e) Other payables (note 5(23))

	31 December 2013	31 December 2012
Capital Jiaming	51,039	–
Tianjin Xinming	356,250	92,000
Xi'an Xinkai (i)	1,003,150	452,500
Reco Ziyang	56,714	56,714
Shenyang Xinzi	212,250	122,600
Tianjin Xinqing	493,450	246,000
Shenyang Jitian	14,000	–
Capital Qinglv Culture Financial Street	20,000 377	– 377
Huzhou Rongcheng	47,433	20,000
International School	33	–
Shouyong Real Estate	120,473	–
Golden Net	93	–
Total	2,375,262	990,191

- (i) The payables above are all interest free, unsecured and unguaranteed, and have no fixed maturity date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5). Related party balances (Continued)

(f) Accounts payable

	31 December 2013	31 December 2012
GoldenNet	24,224	11,788

(g) The dividends payable of the Group is listed in note 5(22)

(h) Interest payable

	31 December 2013	31 December 2012
Reco Ziyang	13,273	13,273
Total	13,273	13,273

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances *(Continued)*

(i) Emoluments to directors, supervisors and Chief Executive Officer

Directors' emoluments for the year ended 31 December 2013 are as follows:

Name	Allowance	Salary	Others	Termination	The long-term incentive fund scheme	Total
Liu Xiaoguang	-	2,780	-	-	-	2,780
Tang Jun (President)	-	3,610	494	62	3,480	7,646
Zhang Juxing	-	1,720	394	62	700	2,876
Feng Chunqin (i)	442	-	-	-	-	442
Cao Guijie (i)	442	-	-	-	-	442
Wang Hao (ii)	128	-	-	-	-	128
Shen Jianping (ii)	128	-	-	-	-	128
Zhang Shengli	570	-	-	-	-	570
Li Zhaojie	270	-	-	-	-	270
Ng Yuk Keung	270	-	-	-	-	270
Wang Hong	270	-	-	-	-	270
Liu Yongzheng	170	-	-	-	-	170
Fan Shubin	170	-	-	-	-	170
Jiang Hebin	-	744	136	62	200	1,142

(i) Retired on 17 September 2013.

(ii) Appointed on 17 September 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5). Related party balances (Continued)

(i) Emoluments to directors, supervisors and Chief Executive Officer (Continued)

Directors' emoluments for the year ended 31 December 2012 are as follows:

Name	Allowance	Salary	Others	Termination	The long-term incentive fund scheme	Total
Liu Xiaoguang	-	2,780	-	-	-	2,780
Tang Jun (President)	-	3,610	491	56	1,800	5,957
Zhang Jvxing	-	1,720	390	56	800	2,966
Feng Chunqin	570	-	-	-	-	570
Cao Guijie	570	-	-	-	-	570
Zhang Shengli	570	-	-	-	-	570
Li Zhaojie	270	-	-	-	-	270
Ng Yuk Keung	270	-	-	-	-	270
Wang Hong	270	-	-	-	-	270
Liu Yongzheng	170	-	-	-	-	170
Fan Shubin	170	-	-	-	-	170
Jiang Hebin	-	708	96	56	200	1,060

(j) The five individuals whose emoluments are the highest

The five individuals whose emoluments were the highest in the Group for the year include 3 (2012: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2012: 2) individuals during the year are as follows:

	31 December 2013	31 December 2012
Basic salaries, bonus, housing allowance, the long-term incentive fund scheme and other allowances	6,222	6,189

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5). Related party balances (Continued)

(j) The five individuals whose emoluments are the highest (Continued)

	Number of individuals	
	2013	2012
Emolument bands:		
RMB0 – 2,500,000	–	–
RMB2,500,001 – 3,000,000	1	1
RMB3,000,001 – 3,500,000	1	1

The emoluments above include the long-term incentive fund scheme.

(k) Long-term Incentive Fund Scheme

At the Extraordinary General Meeting on 27 September 2007, “the Long-term Incentive Fund Scheme” (the “Scheme”) was approved. According to the Scheme, the Company appropriated RMB36,000,000 (2012: RMB50,000,000) for the long-term incentive fund scheme in 2013. The allocation of the incentive fund is in accordance with the Scheme, with 10% for members of the Board of Directors and Supervisors, and 90% for senior management as well as core management and technical staff. Among the long-term incentive fund scheme, the amount for senior management accounts for 60% of the total fund.

8. COMMITMENTS

(1). Capital commitments

- (a) Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	31 December 2013	31 December 2012
Authorised but not contracted	13,514,746	9,728,548
Contracted but not paid	6,021,144	5,469,610

- (b) The Group's share of capital commitment of the joint venture is as follows:

	31 December 2013	31 December 2012
Authorised but not contracted	2,438,543	372,541
Contracted but not paid	488,337	567,308

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

8. COMMITMENTS (Continued)

(2). Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2013	31 December 2012
Within 1 year	3,075	2,434
Between 1 and 2 years	3,269	487
Between 2 and 3 years	999	–
Total	7,343	2,921

(3). Investment commitments

	31 December 2013	31 December 2012
Changfeng Development Co. Ltd.	–	17,500
Capital Qinglv Culture	29,000	29,000

9. DISCONTINUED OPERATION

In the year 2012, the Group entered into an irrevocable agreement with Aotelaisi Renowned Brand Discount Store Limited, Worldwide Renowned Brand Discount Store Asia Limited, Aotelaisi Renowned Brand Discount Store Properties Limited and Aotelaisi Renowned Brand Discount Store Investment Limited to dispose its entire equity interests in the Guangdong Project Companies. The transaction has been completed in April 2013.

In 2013, the Group transferred 100% equity interests in Yongyuan Jintai and Xingtai Jincheng to its joint venture Kunshan Chuangbo Fund. In February 2013, the transaction has been completed.

In 2013, the Group transferred 100% control rights in Caotang Real Estate to a third party. In August 2013, the transaction has been completed.

In 2013, the Group transferred 100% equity interests in Shouyong Real Estate to its joint venture Zhuhai Hengqin Fund. In July 2013, the transaction has been completed.

In 2013, the Group transferred 100% equity interests in Beijing Shangyi to Beijing Xunchi. The transaction will be completed in 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

9. DISCONTINUED OPERATION (Continued)

The operating results of the discontinued operations above are as follows:

	31 December 2013	31 December 2012
Revenue of discontinued operation	(140,239)	–
Less: Costs and expenses of discontinued operations	132,297	4,740
Total profit of discontinued operations	(7,942)	4,740
Less: income taxes of discontinued operations	(1,252)	(1,185)
Net (income)/losses of discontinued operations	(9,194)	3,555
Including: net (income)/losses of discontinued operations attributable to ordinary shareholders of the Company	(10,567)	1,841

10. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain customers and have provided guarantees to secure obligations of these customers for repayments.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers.

As at 31 December 2013, outstanding guarantees amounted to RMB3,198,457,000 (31 December 2012: RMB3,822,872,000).

As at 31 December 2013, the guarantees provided by the Company and certain subsidiaries for other subsidiaries refer to note 7(4)(f), and the Group have no material external guarantee.

The Group believes that the guarantees above will not have a significant impact on its financial position.

11. FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks, market risk (primarily currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1). Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are dominated in RMB. But the Group is still subject to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities (majority of the Group's foreign currency transactions and balances are dominated in United States dollars ("USD") and Hong Kong dollars ("HKD")) and net investment overseas. The Group's finance department of headquarter is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The management of the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

11. FINANCIAL INSTRUMENT AND RISK (Continued)

(1). Market risk (Continued)

(a) Foreign exchange risk (Continued)

The group has certain investments in overseas operations, whose net assets are exposed to foreign exchange risk. The Group's finance department of its headquarter monitors the overseas investment scale to mitigate its exposure to foreign exchange risk at the extreme extend.

As at 31 December 2013 and 31 December 2012, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2013			Total
	USD	HKD	Other foreign currency	
Cash at bank and on hand	709,882	29,728	20,772	760,382
Financial assets held for trading	43,728	–	–	43,728
Long-term borrowings	253,875	–	–	253,875
Current portion of non-current liabilities	288,993	–	–	288,993
Short-term borrowings	294,939	–	–	294,939
Interest payables	4,234	–	–	4,234

	31 December 2012			Total
	USD	HKD	Other foreign currency	
Cash at bank and on hand	309,960	774,392	541	1,084,893
Long-term borrowings	292,873	–	–	292,873
Interest payables	6,655	–	–	6,665

As at 31 December 2013, for all USD dominated financial assets and liabilities, if RMB had increased/decreased by 5% against USD with all other variables held constant, post-tax profit for the year would have been increased/decreased by approximately RMB3,316,000 (31 December 2012: decrease/increase RMB391,000).

As at 31 December 2013, for all HKD dominated financial assets and liabilities, if RMB had increased/decreased by 5% against HKD with all other variables held constant, post-tax profit for the year would have been decreased/increased by approximately RMB1,115,000(31 December 2012: decrease/increase RMB29,040,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

11. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(1). Market risk **(Continued)**

(b) Interest rate risk

The Group has exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry at prevailing market interest rates. Borrowings issued at floating interest rates expose the Group to cashflow interest-risk, and borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 December 2013, the Group's long-term interest bearing borrowings were mainly RMB- and USD-denominated with floating rates, amounting to RMB10,723,477,000 (31 December 2012: RMB11,389,133,000).

Increases in interest rates will increase the cost of new borrowing and the interest expenses of to the Group's outstanding floating rate borrowings, and therefore could have a material adverse impact on the Group's financial position. The Group's finance department of its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The management of the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk.

As at 31 December 2013, if interest rates on the floating rate borrowings increased/decreased 5 basis points with all other variables held constant, the financial expenses of the Group would increase/decrease by approximately RMB53,617,000 (31 December 2012: RMB56,946,000).

(c) Price risk

The Group is exposed to equity instruments price risk because some investments held by the Group are classified as available-for-sale financial assets. The management of the Group monitors market conditions and price fluctuations of securities investments. Since the cost of available-for-sale financial assets is low, the price risk of the Group is low.

(2). Credit risk

Credit risk is managed by portfolio classification. Credit risk mainly arises from cash at bank and on hand, accounts receivable, and other receivables.

The Group doesn't expect significant credit risk on cash at bank since they are deposited at state-owned banks and other medium or large size listing banks. Management does not expect that there will be any significant losses arising from default by these counterparties.

In addition, the Group has policies to control the credit risk exposure on accounts receivable, and other receivables. The Group assesses the credit qualification of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit record of the customers is regularly monitored by the Group. For customers with a poor credit history, the Group will apply written payment reminders, shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited under control.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to the bank. Thus the management of the Group consider that the credit risk is significantly reduced.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

11. FINANCIAL INSTRUMENT AND RISK (Continued)

(3). Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department at its headquarter. The Group's finance department at its headquarter monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The following table details the Group's contractual maturity for its financial assets, based on undiscounted contractual cash flows:

	31 December 2013				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Financial assets					
Cash	11,345,380	-	-	-	11,345,380
Receivables	3,986,534	-	-	-	3,986,534
Non-current assets due within one year	777,572	-	-	-	777,572
Long-term receivables	17,543	309,923	-	-	327,466
Total	16,127,029	309,923	-	-	16,436,952

	31 December 2012				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Financial assets					
Cash	8,616,773	-	-	-	8,616,773
Receivables	3,256,789	-	-	-	3,256,789
Long-term receivables	31,338	1,377,335	-	-	1,408,673
Total	11,904,900	1,377,335	-	-	13,282,235

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

11. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(3). Liquidity risk *(Continued)*

	31 December 2013				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Financial liabilities					
Short-term borrowings	1,453,831	-	-	-	1,453,831
Payables	7,884,278	-	-	-	7,884,278
Debentures payables	150,292	2,103,530	-	-	2,253,822
Long-term borrowings	780,974	3,541,133	8,255,765	509,026	13,086,898
Current portion of non-current liabilities	7,090,953	-	-	-	7,090,953
Total	17,360,328	5,644,663	8,255,765	509,026	31,769,782

	31 December 2012				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Financial liabilities					
Short-term borrowings	568,309	-	-	-	568,309
Payables	7,096,795	-	-	-	7,096,795
Debentures payables	268,598	2,344,216	2,092,336	-	4,705,150
Long-term borrowings	843,102	8,746,069	2,127,909	1,158,613	12,875,693
Current portion of non-current liabilities	3,113,874	-	-	-	3,113,874
Total	11,890,678	11,090,285	4,220,245	1,158,613	28,359,821

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

11. FINANCIAL INSTRUMENT AND RISK (Continued)

(3). Liquidity risk (Continued)

Bank and other borrowings are analysed by repayment terms as follows:

	31 December 2013		31 December 2012	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	12,520,577	3,919,044	10,570,733	3,024,166
Not wholly repayable within five years	450,000	-	1,135,000	-
Total	12,970,577	3,919,044	11,705,733	3,024,166

(4). Fair value

(a) Financial instruments not measured in fair value

Financial assets and liabilities not measured at fair value mainly include receivables, short-term borrowings, payables, long-term borrowings, current portion of non-current liabilities, and debentures payables.

Except for financial assets and liabilities listed below, the carrying amount of financial assets and liabilities not measured in fair value is a reasonable approximation of their fair value:

	31 December 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	5,948,100	4,865,340	2,520,600	2,127,701
Debentures payables	1,977,532	2,025,823	4,108,020	4,088,667
Total	7,925,632	6,885,745	6,628,620	6,216,368

The fair value of long-term borrowings, debentures payables and other non-current liabilities not quoted in an active market is the present value of the contractually determined future cash flows discounted at comparable interest rate.

(b) Financial instruments measured in fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value is divided into the following levels:

Level 1, Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2, Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3, Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

11. FINANCIAL INSTRUMENT AND RISK (Continued)

(4). Fair value (Continued)

(b) Financial instruments measured in fair value (Continued)

As at 31 December 2013, the financial assets measured at fair value by the above three levels are analysed below,

	Level 1	Level 2	Level 3	Total
Financial assets –				
Financial assets held for trading	-	43,728	-	43,728
Available-for-sale financial assets	99,258	-	-	99,258

As at 31 December 2012, the financial assets measured at fair value by the above three levels are analysed below,

	Level 1	Level 2	Level 3	Total
Financial assets –				
Available-for-sale financial assets	150,653	-	-	150,653

12. EVENTS AFTER THE BALANCE SHEET DATE

	Amount
Proposed distributed dividend (a)	446,151
Declared distributed dividend proposed by the Board of Directors	446,151

- (a) In accordance with the resolution at the Board of Directors' meeting dated on 9 February 2014, the Board of Directors proposed a dividend in the amount of RMB446,151,000 to the shareholders, which is not recorded as liability in the financial statements for the current year (note 5(32)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS

(1). Cash

	31 December 2013	31 December 2012
Cash on hand	25	112
Cash at bank	800,874	400,639
Total	800,899	400,751

(2). Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2013	31 December 2012
Accounts receivable	160	160
Less: provisions for bad debts	-	-
Receivables – net	160	160

The ageing analysis of the accounts receivable are as follows:

	31 December 2013	31 December 2012
Over 3 years	160	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(2). Accounts receivable and other receivables *(Continued)*

(b) Other receivables

	31 December 2013	31 December 2012
Amounts due from subsidiaries (i)	14,789,694	11,858,769
Amounts due from joint ventures	103,195	213,115
Land tender deposits and other deposits	10,026	10,000
Others	278,608	21,833
Total	15,181,523	12,103,717
Less: provisions for bad debts	(24,000)	(24,000)
Receivables – net	15,157,523	12,079,717

- (i) As at 31 December of 2013, balance of loans from the Company to the subsidiaries is RMB1,993,528,000 (31 December of 2012: RMB1,854,876,000), and the interest rate is 6.60%. The loans have no fixed maturity date and are unsecured and unguaranteed. Other receivables due from subsidiaries except for the loans above are interest free, unsecured and unguaranteed and have no fixed maturity date.

The Company has not recognized or written off bad debt provision for other receivables in the year ended 31 December 2013.

The analysis of other receivables and the related provisions are as follows:

	31 December 2013				31 December 2012			
	Amount	% of total balance %	Provision	% of the provision %	Amount	% of total balance %	Provision	% of the provision %
Within 1 year	15,148,725	100	-	-	12,078,939	100	-	-
1 to 2 years	8,020	-	-	-	178	-	-	-
2 to 3 years	178	-	-	-	-	-	-	-
Over 3 years	24,600	-	(24,000)	98	24,600	-	(24,000)	98
Total	15,181,523	100	(24,000)	-	12,103,717	100	(24,000)	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3). Inventories

(a) Inventories are classified as follows:

	As at 31 December 2013			As at 31 December 2012		
	Book balance	Provisions of inventory	Book value	Book balance	Provisions of inventory	Carrying value
Properties held for sale	44,076	-	44,076	44,076	-	44,076

(b) Changes in book value of inventories are analysed as follows:

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Cost – Properties held for sale	44,076	-	-	44,076
	44,076	-	-	44,076

(4). Dividends Receivable

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Xi'an Xinkai	12,400	-	-	12,400

(5). Available-for-sale Financial Assets

	31 December 2013	31 December 2012
Available-for-sale equity instrument	149,258	162,583
Less: Provision of available-for-sale Financial assets	-	-
Net	149,258	162,583
In which, market value of listed security		
– Mainland China	99,258	162,583
Non-listed equity instrument	50,000	-
Total	149,258	162,583

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(6). Long-term receivables

	31 December 2013	31 December 2012
Financial Street	292,380	412,565
Total	292,380	412,565

(7). Long-term Equity Investments

	31 December 2013	31 December 2012
Subsidiaries (a) – unlisted companies	3,171,514	2,881,524
Joint ventures (b) – unlisted companies	421,384	26,464
Associates (c) – unlisted companies	162,069	155,159
Total	3,754,967	3,063,147

The Company has no significant limitation on realisation of long-term investment or collection of investment income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(7). Long-term Equity Investments (Continued)

(a) Subsidiaries

	attributable interest held	attributable vote held	31 December 2012	Additions	Disposals	31 December 2013
S. C.	100%	100%	734,095	-	-	734,095
Rongjin Company	59.5%	59.5%	21,968	-	-	21,968
Central Company	100%	100%	79,433	-	-	79,433
Central Plaza Xinrong	100%	100%	90,437	-	-	90,437
IFC	100%	100%	20,480	-	-	20,480
Central Plaza	100%	100%	39,466	-	-	39,466
Jindu Company	100%	100%	369,970	-	-	369,970
Beijing Xinzi	100%	100%	642,625	-	-	642,625
Anhua Shiji	55%	55%	136,303	-	-	136,303
Shangboya	100%	100%	30,000	-	-	30,000
Shangbodi	51%	51%	15,300	-	-	15,300
Jiangsu Capital	60%	60%	60,375	-	-	60,375
Capital Chengdu	100%	100%	150,000	-	-	150,000
Sunshine City	50%	60%	82,766	-	-	82,766
Wuxi Xindong	100%	100%	100,000	-	-	100,000
Capital (Chengdu) Investment Co., Ltd.	100%	100%	5,000	-	-	5,000
Capital (Tianjin) Real Estate Management Co., Ltd.	100%	100%	5,000	-	-	5,000
Beijing Ruiyuan Fengxiang Real Estate Development Co., Ltd.	100%	100%	10,000	-	-	10,000
Ruiyuan Fengji	100%	100%	10,000	-	-	10,000
Chuangxin Jianye	100%	100%	50,000	-	-	50,000
Beijing Xinyuan Chengye Consultant Co., Ltd.	100%	100%	1,000	-	-	1,000
Capital Nanjing Investment Co., Ltd.	100%	100%	5,000	-	-	5,000
Capital Guoxin	100%	100%	100,000	-	-	100,000
Haikou Capital Xinye Investment Co., Ltd.	100%	100%	10,000	-	-	10,000
BECL	100%	100%	67,296	-	-	67,296
Tianjin Yongyuan Investment Co., Ltd. (i)	-	-	10	-	(10)	-
Beijing Chuangyuan Bodao Architectural Design & Consulting Co., Ltd	100%	100%	5,000	-	-	5,000
Beijing Xinyuan Huaifu Investment Co., Ltd.	100%	100%	5,000	-	-	5,000
Beijing Hengyuan Yinxing Investment Co., Ltd.	100%	100%	5,000	-	-	5,000
Shouyong Real Estate (ii)	-	-	-	80,000	(80,000)	-
Beijing Dongqi Jin zhao Infrastructure Investment Co., Ltd.	100%	100%	30,000	-	-	30,000
Beijing Zhongzhi Dingfu Specific Assets Management Plan (iii)	100%	100%	-	100,000	-	100,000
	9%	N/A	-	190,000	-	190,000
Total			2,881,524	370,000	(80,010)	3,171,514

(i) In 2013, the Company transferred all equity interests of the subsidiaries above to other subsidiaries held by the Group.

(ii) The above companies are wholly-owned subsidiaries set up by the Company in 2013. The Company transferred all equity interests of the subsidiaries above to joint ventures of the Group (note 4(2)(4)).

(iii) The Company and Minsheng Royal set up the Specific Assets Management Plan together in 2013 (note 4(1)(3)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(7). Long-term Equity Investments (Continued)

(b) Joint ventures

	31 December 2012	Additional investment cost	Net profit adjusted according to the equity method	Cash dividends	Reduction by disposal	31 December 2013
Tonghua Qiangyu	3,994	-	1,546	-	-	5,540
Beijing Wanzhu	22,470	-	(1,824)	-	-	20,646
Kunshan Chuangbo Fund	-	162,970	(2,384)	-	-	160,586
Zhuhai Hengqin Fund Management	-	4,000	(66)	-	-	3,934
Zhuhai Hengqin Fund	-	243,950	(13,272)	-	-	230,678
Total	26,464	410,920	(16,000)	-	-	421,384

(c) Associates

	31 December 2012	Additional investment cost	Net profit adjusted according to the equity method	Cash dividends	Reduction by disposal	31 December 2013
GoldenNet	6,824	-	125	-	-	6,949
Yang Guang Yuan	148,335	-	6,785	-	-	155,120
Total	155,159	-	6,910	-	-	162,069

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(8). Investment Properties

	31 December 2013	31 December 2012
Investment properties subsequently measured at fair value (a)	1,958	1,958

(a) Investment properties subsequently measured at fair value

	Buildings and land use right
Cost	
31 December 2012	1,958
Additions	-
Purchase	-
Others	-
Disposals	-
Transfer to inventories	-
Others	-
31 December 2013	1,958
Change in fair value	
31 December 2012	-
Increase	-
Gains/losses on change in fair value	-
Others	-
Decrease	-
Transfer to inventories	-
Others	-
31 December 2013	-
Carrying amount	
31 December 2013	1,958
31 December 2012	1,958

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(9). Fixed Assets

	Buildings	Motor Vehicles	Office Equipment	Total
Cost				
31 December 2012	72,925	10,454	19,150	102,529
Additions	–	1,140	–	1,140
Disposals	–	–	–	–
31 December 2013	72,925	11,594	19,150	103,669
Accumulated Depreciation				
31 December 2012	(12,242)	(8,555)	(13,389)	(34,186)
Depreciation	(1,596)	(1,146)	(2,456)	(5,198)
Disposal	–	–	–	–
31 December 2013	(13,838)	(9,701)	(15,845)	(39,384)
Provision for impairment loss				
31 December 2012	–	–	–	–
Charges	–	–	–	–
31 December 2013	–	–	–	–
Net Book Value				
31 December 2013	59,087	1,893	3,305	64,285
31 December 2012	60,683	1,899	5,761	68,343

In the year ended 31 December 2013, depreciation expense charged in administrative expenses amounted to RMB5,198,000 (2012: RMB5,683,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(10). Accounts payable

The ageing analysis of accounts payable is as follows:

	31 December 2013	31 December 2012
Within 1 year	5,500	–
Over 1 year	10,782	10,783
Total	16,282	10,783

(11). Other payables

	31 December 2013	31 December 2012
Payables to subsidiaries	10,742,564	6,119,936
Others	183,296	19,756
Total	10,925,860	6,139,692

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(12). Long-term borrowings

	Currency	31 December 2013	31 December 2012
Credit loans	RMB	–	28,000
Secured loans:			
– Pledged	RMB	210,000	1,550,000
– Trust	RMB	1,000,000	1,795,000
– Guaranteed	RMB	2,000,000	–
– Guaranteed/Mortgaged	RMB	–	154,000
Subtotal		3,210,000	3,527,000
Less: long-term borrowings due within one year:			
Credit loans	RMB	–	(3,000)
Secured loans:			
– Pledged	RMB	–	(600,000)
– Trust	RMB	–	(302,000)
– Guaranteed/mortgaged	RMB	–	(154,000)
Subtotal		–	(1,059,000)
Net		3,210,000	2,468,000

The analysis of repayable dates of bank borrowings and other borrowings are as follows:

	31 December 2013		31 December 2012	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	210,000	3,000,000	1,732,000	1,795,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(13). Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	As at 31 December 2013		As at 31 December 2012	
	Deferred tax assets	Deductable temporary differences	Deferred tax assets	Deductable temporary differences
Provision for asset impairment	6,000	24,000	6,000	24,000
Accrued salary and other expenses	37,051	148,206	44,513	178,052
Accumulated deficit	14,367	57,466	–	–
Total	57,418	229,672	50,513	202,052

(b) Deferred tax liabilities before offsetting

	As at 31 December 2013		As at 31 December 2012	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Change in fair value of available-for-sale financial assets	14,574	58,297	17,904	71,622

(c) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2013	31 December 2012
Deferred tax assets, net	42,844	32,609
Deferred tax liabilities, net	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(14). Taxes payable

	31 December 2013	31 December 2012
Land appreciation tax payable	20	20
Business tax payable	42,784	30,870
Others	7,834	3,053
Total	50,638	33,943

(15). Capital surplus

	31 December 2012	Current year additions	Current year Reductions	31 December 2013
Capital premium	987,446	-	-	987,446
Other capital surplus, including:				
Change in fair value of available-for-sale financial assets	345,385	-	(9,993)	335,392
Total	1,332,831	-	(9,993)	1,322,838

	31 December 2011	Current year additions	Current year reductions	31 December 2012
Capital premium	987,446	-	-	987,446
Other capital surplus, including:				
Change in fair value of available-for-sale financial assets	316,419	28,966	-	345,385
Total	1,303,865	28,966	-	1,332,831

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(16). Revenue and cost of sales

	2013	2012
Main operating revenue (a)	125,644	134,583
Other operating revenue	-	818
Total	125,644	135,401
Other operating costs	-	-

(a) Revenue and cost of sales

	2013		2012	
	Main operating revenue	Main operating cost	Main operating revenue	Main operating cost
Consulting services	125,644	-	134,583	-
Total	125,644	-	134,583	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(17). Financial Expense/(Income) – Net

	2013	2012
Interest expenses	244,602	234,746
Bank loans	88,797	166,902
Trust loans	63,322	–
Corporate bonds	68,039	67,844
Other loans	24,444	–
Financial cost	244,602	234,746
Reversal of long-term receivables discounts	–	(25,328)
Financial income	(239,475)	(271,981)
Exchange gains or losses-net	3,760	2,046
Others	3,939	3,875
Net	12,826	(56,642)

Interest expenses are analysed by the repayment terms of bank and other borrowings as follows:

	31 December 2013		31 December 2012	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	88,797	155,805	166,902	67,844

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(18). Investment income

	2013	2012
Share of profit/(loss) of investees under equity method	(9,091)	20,284
Gain from disposal of associates and joint ventures	–	989
Gain from disposal of subsidiaries	2,000	–
Dividend income from available-for-sale financial assets	772	–
Others	17,270	–
Total	10,951	21,273

The Company has no significant limitation on realisation of investment income.

Investment income from listed investments and non-listed investments in the year ended 31 December 2013 amount to RMB772,000 and RMB10,179,000 respectively (2012: RMB0 and RMB21,273,000).

(19). Income tax expenses

	2013	2012
Current income tax	851	10,134
Deferred income tax	(6,906)	(1,487)
Total	(6,055)	8,647

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(19). Income tax expenses *(Continued)*

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2013	2012
Total (Loss)/profit	(39,495)	40,927
Income tax expenses calculated at applicable tax rates (25%)	(9,874)	10,232
Share of profit/(loss) of investees under equity method	2,273	(5,071)
Expenses, costs and losses not deductible for tax purposes	695	715
Others	851	2,771
Income tax expenses	(6,055)	8,647

(20). Notes to company cash flow statements

(a) Reconciliation from net (loss)/profit to cash flows from operating activities

	2013	2012
Net (Loss)/profit	(33,440)	32,280
Add: Depreciation of fixed assets (note 13(9))	5,198	5,683
Financial expenses/(income)	28,410	(39,723)
Investment profit (note 13(18))	(10,951)	(21,273)
Increase in deferred tax assets	(6,904)	(7,819)
Increase in restricted cash	-	100,000
(Increase)/Decrease in operating receivables	(3,521,400)	1,526,614
Decrease/(Increase) in operating payables	4,683,134	(2,501,208)
Net cash flows from operating activities	1,144,047	(905,446)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(20). Notes to company cash flow statements (Continued)

(b) Net increase/(decrease) in cash

	2013	2012
Cash at end of the year	800,899	400,751
Less: cash at beginning of the year	(400,751)	(1,266,081)
Net increase/(decrease) in cash	400,148	(865,330)

(c) Cash

	31 December 2013	31 December 2012
Cash at bank and on hand (note 13(1))	800,899	400,751
Less: restricted cash at bank	-	-
Cash at end of the year	800,899	400,751

14. NET CURRENT ASSETS

	31 December 2013 Consolidated	31 December 2012 Consolidated	31 December 2013 Company	31 December 2012 Company
Current assets	48,882,031	37,818,579	16,019,518	12,537,338
Less: Current liabilities	(26,465,407)	(21,822,841)	(12,103,148)	(7,497,258)
Net current assets	22,416,624	15,995,738	3,916,370	5,040,080

15. TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2013 Consolidated	31 December 2012 Consolidated	31 December 2013 Company	31 December 2012 Company
Total assets	56,190,688	47,536,488	20,325,210	16,339,943
Less: Current liabilities	(26,465,407)	(21,822,841)	(12,103,148)	(7,497,258)
Total assets less current liabilities	29,725,281	25,713,647	8,222,062	8,842,685



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