

ANNUAL REPORT 2014

创造都市新生活
Create New Urban Life



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 Shengli

Non-Executive Directors

Mr. Wang Hao
Mr. Song Fengjing
Mr. Shen Jianping

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Wang Hong (*Chairman*)
Mr. Wang Hao
Mr. Ng Yuk Keung

NOMINATION COMMITTEE

Mr. Liu Xiaoguang (*Chairman*)
Mr. Ng Yuk Keung
Mr. Wang Hong

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 Sze Wai

AUTHORISED REPRESENTATIVES

Mr. Tang Jun
Mr. Lee Sze Wai

REGISTERED OFFICE

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

BEIJING HEADQUARTERS

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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.bjcapitalland.com>

AUDITORS

PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

As to Hong Kong law:
Norton Rose Fulbright Hong Kong

As to PRC law:
JunZeJun Law Offices

PRINCIPAL BANKERS

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

LISTING INFORMATION

STOCK CODE FOR H SHARE

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

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 2014			Year 2013		
	Price High (HK\$)	Price Low (HK\$)	Total Trading Volume (No. of Shares)	Price High (HK\$)	Price Low (HK\$)	Total Trading Volume (No. of Shares)
First Quarter	3.30	2.58	216,169,767	3.81	2.80	260,124,851
Second Quarter	3.06	2.39	102,601,741	3.54	2.70	281,246,634
Third Quarter	3.00	2.48	99,263,084	3.09	2.68	138,576,215
Fourth Quarter	2.96	2.63	158,175,559	2.85	2.55	103,237,824

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.

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

FINANCIAL HIGHLIGHTS

FIVE YEAR FINANCIAL SUMMARY ^{NOTE 1}

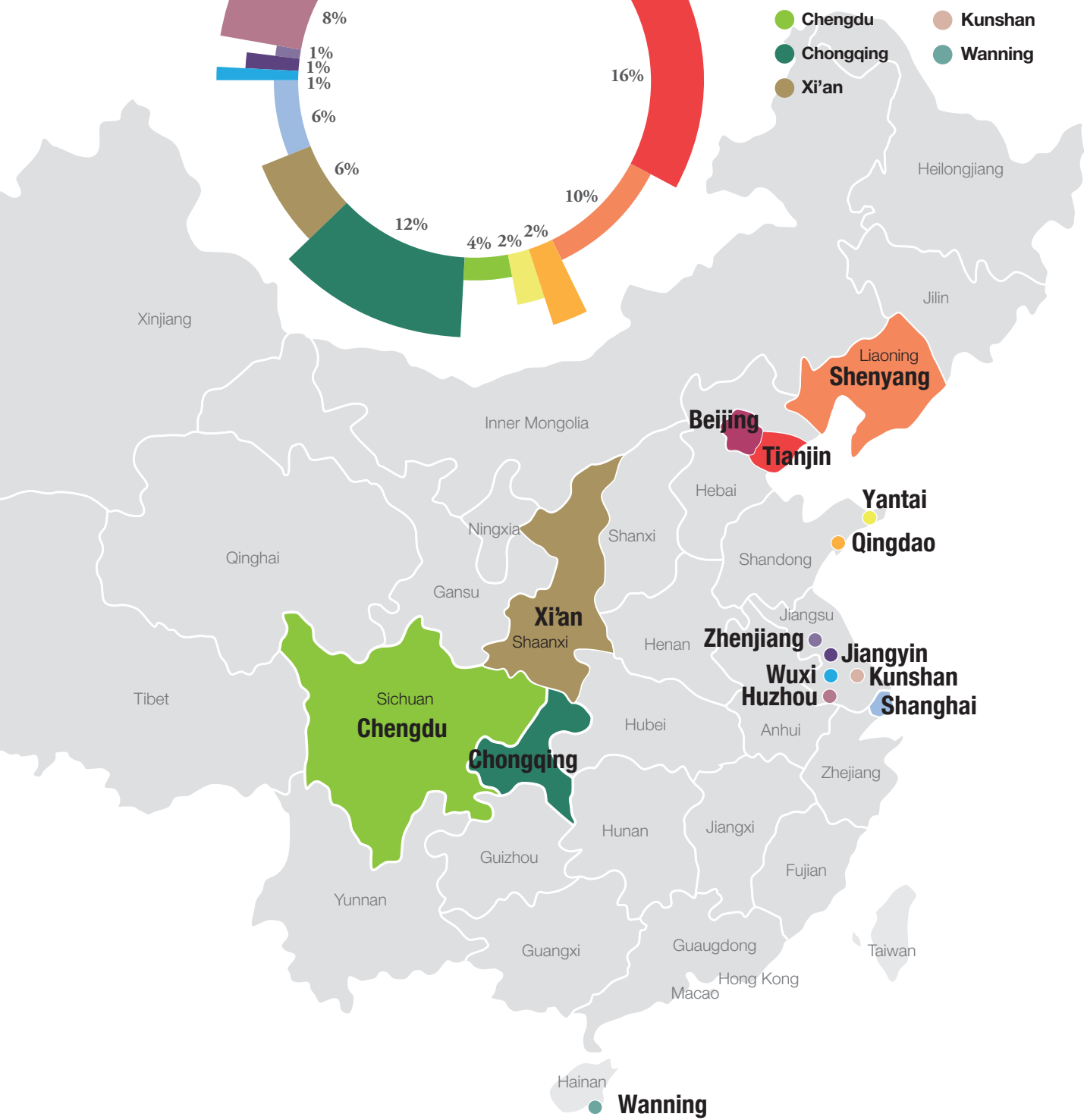
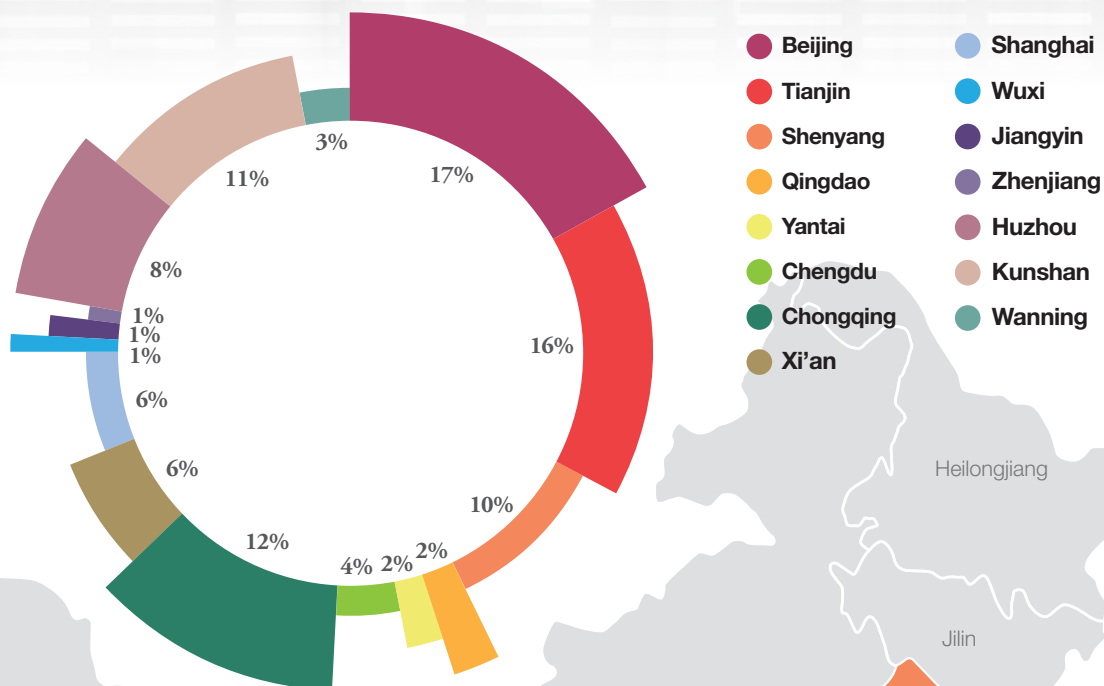
(in RMB'000 unless otherwise stated)

Year ended 31 December	2014 ^{Note 2}	2013 ^{Note 2}	2012 ^{Note 2}	2011 ^{Note 2} (Restated)	2010 ^{Note 2}
Revenue	10,057,967	11,320,840	9,134,054	7,523,321	6,493,795
Total profit	2,946,181	2,624,192	1,898,986	1,679,407	1,463,156
Income tax expenses	(682,452)	(710,469)	(565,323)	(455,852)	(375,231)
Net profit	2,263,729	1,913,723	1,333,663	1,223,555	1,060,925
Attributable to:					
Equity holders of the Company	1,689,741	1,522,006	1,110,925	998,578	918,155
Non-controlling interests	573,988	391,717	222,738	224,977	142,770
	2,263,729	1,913,723	1,333,663	1,223,555	1,060,925
As at 31 December	2014	2013	2012	2011	2010
Total assets	78,679,556	56,190,688	47,536,488	37,794,202	30,513,787
Total liabilities	57,266,030	39,962,204	37,533,477	29,482,884	22,883,841
Net assets	21,413,526	16,228,484	10,003,011	8,311,318	7,629,946

Note:

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

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 Capital Outlets	Fangshan District, Beijing	Commercial	100%	95,652	170,651	130,751	
						108,036	68,136	Completed
						62,615	62,615	2016
4	Huzhou Capital Outlets	Taihu National Tourism Vacation Zone, Jiangsu Province	Commercial	100%	302,713	185,146	175,400	
						97,542	97,542	Completed
						87,604	77,858	2017
5	Hainan Capital Outlets	Liji Town, Wanning District, Hainan Province	Commercial	55%	199,807	103,180	100,879	
						56,638	54,337	Completed
						46,542	46,542	2015
6	Kunshan Capital Outlets	The East New Town, Kunshan, Jiangsu Province	Commercial	100%	93,562	101,300	101,300	
						50,200	50,200	2015
						51,100	51,100	2016
7	Xi'an Capital Outlets	Economic & Technological Development Zone, Xi'an, Shaanxi Province	Commercial	100%	27,343	50,000	50,000	2018
8	Sunshine Building	Xicheng District, Beijing	Commercial/Office	35%	8,840	52,095	34,163	Completed
9	Lize Financial Business District Project	Fengtai District, Beijing	Commercial		34,822	253,990	188,000	
				68.5%		48,581	23,697	2017
				50%		205,409	164,303	2017

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)
10	Beijing Yuyuantan Project	The Reflections	Haidian District, Beijing	Residential	100%	17,900	12,331	12,048	Completed
11	Beijing Huijialou Project	Xanadu	Chaoyang District, Beijing	Residential/ Commercial	100%	86,300	31,949	23,706	Completed
12	Beijing Huang Xin Zhuang Project	Ealing	Fangshan District, Beijing	Residential	95%	175,489	215,929	191,499	
							55,276	55,276	Completed
							8,916	4,090	2015
							151,737	132,133	2017
13	Beijing Miyun Yun Feng Shan Zhuang Project	Beijing Landscape Villa	Miyun District, Beijing	Residential	100%	393,664	144,697	133,240	
							60,746	49,289	Completed
							83,951	83,951	2017
14	Beijing Changyang Town Project	Ballet Town	Fangshan District, Beijing	Residential	100%	137,684	6,230	5,393	Completed
15	Beijing Changyang Land No.4 Project	Novotown	Fangshan District, Beijing	Residential/ Commercial	100%	90,389	7,361	4,930	
							3,202	771	Completed
							4,159	4,159	2015
16	Beijing Daxingsun Village Project	Enjoyable City	Daxing District, Beijing	Residential/ Apartment/ Commercial	100%	99,000	54,124	50,142	2015
17	Beijing Pinggu Daxingzhuang Project	Enjoyable River	Pinggu District, Beijing	Residential/ Commercial	10%	82,785	35,836	30,448	2015
18	Beijing Zhaoquanying F1-01 Project	Passion World	Shunyi District, Beijing	Apartment/ Commercial	100%	27,121	42,824	34,144	2016
19	Beijing Zhaoquanying F02 Project	Enjoyable Bay	Shunyi District, Beijing	Residential/ Apartment/ Commercial	100%	139,035	148,317	103,725	2017
20	Beijing Zhaoquanying F04 Project	Enjoyable Trees	Shunyi District, Beijing	Residential/ Apartment	100%	110,845	170,934	103,686	
							42,195	32,005	2016
							128,739	71,681	2017

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)		
21	Lize Financial Business District Project		Fengtai District, Beijing	Apartment/Office		45,211	179,786	168,000			
		F02			68.5%				132,422	126,500	2017
		F05			100%				47,364	41,500	2017
22	Beijing Fangshan Gaojiao Park Project		Fangshan District, Beijing	Residential/Apartment/Commercial	100%	56,138	171,184	156,056	2017		
23	Beijing Haidian Taipingzhuang Project		Haidian District, Beijing	Residential/Apartment	25%	5,379	22,041	16,136	2017		
24	Tianjin Banshan Project	Tianjin First City	Tanggu District, Tianjin	Residential/Commercial	100%	233,336	28,590	8,781	Completed		
25	Tianjin Huaming Project	Noble City	Dongli District, Tianjin	Residential/Apartment/Commercial	40%	271,800	70,800	70,800	2016		
26	Tianjin Xiqing Project	Landing House	Xiqing District, Tianjin	Residential/Office	40%	151,600	17,100	17,100	Completed		
27	Tianjin Shuangang 121 Project	Fortune Class	Jinnan District, Tianjin	Residential/Apartment/Commercial/Office	55%	255,000	109,397	109,397			
							32,855	32,855	2015		
							76,542	76,542	2016		
28	Tianjin Shuangang 122 Project	Tianjin - A-Z Town	Jinnan District, Tianjin	Residential	55%	183,500	20,101	19,207	Completed		
29	Tianjin Wuqing Project	International Peninsula	Wuqing District, Tianjin	Residential/Commercial/Office/Hotel	100%	791,793	471,010	471,010			
							44,657	44,657	Completed		
							190,276	190,276	2016		
							236,077	236,077	2017		

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)
30	Tianjin Eco-city Project	Cambridge County	Binhai New District, Tianjin	Residential	100%	117,229	52,870	52,870	2015
31	Tianjin Hongni River Project	Tianjin Eco Village	Jinnan District, Tianjin	Residential/Commercial	100%	257,091	448,798	338,798	2015
							104,922	104,922	2016
							126,480	81,480	2017
							217,396	152,396	2017
32	Tianjin Lishuang Road Project	Xuan Community	Jinnan District, Tianjin	Residential	100%	108,343	195,304	151,594	2015
							18,219	18,219	2016
							56,434	39,454	2017
							120,650	93,920	2017
33	Tianjin Beiyunhe Project	Grand Canal Milestone	Hebei District, Tianjin	Residential/Apartment/Commercial	100%	62,817	299,208	206,450	2017
							119,908	89,650	-
							179,300	116,800	-
34	Shenyang Shenyang Road Project	Shenyang First City	Hunnan New District, Shenyang, Liaoning Province	Residential/Apartment/Commercial	30%	145,800	94,531	55,046	Completed
35	Shenyang Yinhe Bay Project	Qipan Hills First Villa	Qi Pan Shan District, Shenyang, Liaoning Province	Residential/Commercial	50%	471,400	407,677	379,324	Completed
							12,807	12,807	2015
							64,191	64,191	2016
							25,621	25,621	-
							305,058	276,705	-
36	Shenyang Shenzhong Street Project	Shenyang Eco Village	Hunnan New District, Shenyang, Liaoning Province	Residential/Commercial	100%	194,248	619,762	540,387	2015
							100,191	84,337	2016
							233,915	207,586	-
							285,655	248,464	-

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)
37	Chengdu Shengli Village Project	Chengdu First City	Chenghua District, Chengdu, Sichuan Province	Residential/Commercial	100%	78,200	15,726	10,526	Completed
38	Chengdu Beiqian Road Project	Cittá Villa	Longquanyi District, Chengdu, Sichuan Province	Residential/Commercial	55%	75,000	52,004	0	Completed
39	Chengdu SCE Project	Wanjuanshan	Longquanyi District, Chengdu, Sichuan Province	Residential/Commercial/Office	55%	106,800	118,721	43,043	Completed
40	Chengdu Qinglongchang Project		Chengdu, Sichuan Province	Residential/Commercial	100%	87,312	290,373	215,660	
							154,587	110,447	2016
							135,786	105,213	2017
41	Xi'an Feng-cheng Road Project	Xi'an First City	Xi'an Economic and Technology Development Zone, Shaanxi Province	Residential/Commercial/Office/Hotel	100%	328,057	594,491	407,294	
							102,173	18,986	Completed
							171,579	138,669	2016
							320,739	249,639	2017
42	Chongqing Hong'ensi Project	Hong'en International Living District	Jiangbei District, Chongqing	Residential/Commercial	100%	229,300	211,924	92,620	
							127,508	33,002	Completed
							84,417	59,618	2015
43	Chongqing Xiyong Project	Chongqing Eco Village	Shapingba District, Chongqing	Residential/Apartment/Commercial	28.24%	146,391	286,741	179,710	
							91,031	32,091	2015
							195,710	147,619	2016
44	Chongqing Jialingchang Project		Shapingba District, Chongqing	Residential/Commercial	20.73%	218,303	837,190	644,889	
							271,560	207,020	2017
							565,630	437,869	-

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)
45	Shanghai Songjiang Project	Time Flowing In Villa	Songjiang District, Shanghai	Residential/Commercial	100%	65,239	134,677	112,929	2016
46	Shanghai Jiading Project		Jiading District, Shanghai	Residential/Commercial	100%	123,090	298,279	232,806	
							181,795	145,627	2016
							116,484	87,179	2017
47	Shanghai Yingpu Street Community Project		Qingpu District, Shanghai	Residential/Commercial	100%	67,064	168,661	120,716	
		14-04 Plot					98,437	69,199	2017
		20-04 Plot					70,224	51,517	2017
48	Yongfeng Street Community Project		Songjiang District, Shanghai	Residential	28%	45,915	93,488	64,282	
		30-02 Plot					38,414	26,505	2017
		40-05 Plot					55,074	37,776	2017
49	Wuxi Dongting Town Project	Gentle House	Xishan District, Wuxi, Jiangsu Province	Residential/Commercial	100%	163,000	29,050	16,157	
							17,975	5,082	Completed
							11,075	11,075	2015
50	Wuxi Jichang Road Project	Joyous House	Wuxi New District, Jiangsu Province	Residential/Commercial	100%	96,600	35,033	15,981	Completed
51	Zhejiang Huzhou Taihu Project	Huzhou Integrated Outlets Project	Taihu National Tourism Vacation Zone, Huzhou, Jiangsu Province	Residential/Commercial/Hotel	100%	580,973	600,127	553,987	
							151,326	144,361	2015
							235,879	211,904	2017
							212,922	197,722	-
52	Huzhou Renhuangshan Project	Joyous House	Renhuangshan District, Huzhou, Jiangsu Province	Residential/Commercial	55%	53,864	51,199	42,931	Completed
53	Zhenjiang National University Science Park Project	Joyous House	Zhenjiang Technological Development Zone, Jiangsu Province	Residential/Commercial	100%	114,493	58,131	58,131	
							19,222	19,222	Completed
							38,909	38,909	2015

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)			
54	Jiangsu Jiangyin Yuyue Project	Auspicious House	Yushan Bay, Jiangyin, Jiangsu Province	Residential/Commercial	100%	78,258	159,626	141,041				
									37,308	28,348	Completed	
									122,318	112,693	2017	
55	Kunshan Jinxi Project	Kunshan Eastern Mystery	Jinxi Town, Kunshan City, Jiangsu Province	Residential/Commercial/Hotel	51%	550,037	326,581	315,641				
									22,496	22,496	Completed	
									59,295	48,355	2016	
									98,290	98,290	2017	
			146,500	146,500	-							
56	Kunshan Capital Outlets	Kunshan Integrated Outlets Project	The East New Town, Kunshan, Jiangsu Province	Residential/Apartment/Commercial	100%	354,383	815,690	601,748				
											Completed	
									418	418	2015	
									54,952	16,447	2016	
									298,100	224,533	2016	
			462,219	360,349	2017							
57	Hainan Wanning Project	Hainan Integrated Outlets Project	Liji Town, Wanning, Hainan Province	Residential/Apartment/Commercial		486,601	207,622	207,622				
											Completed	
									55%	27,861	27,861	2016
									55%	68,771	68,771	
			100%	110,990	110,990	-						
58	Qingdao Central Park No. 1 Project	Qingdao Central Park No. 1	Chengyang District, Qingdao, Shandong Province	Residential/Apartment/Commercial	100%	81,016	34,523	26,161				
											Completed	
									6,995	2,574	2015	
									1,896	1,896	2016	
			25,632	21,691								
59	Qingdao Qianqianshu Project	Sunny Xiangmi Lake	Licang District, Qingdao, Shandong Province	Residential/Commercial	100%	96,695	17,060	17,060				
											Completed	
									3,332	3,332	2015	
							13,728	13,728				

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)
60	Qingdao Yangbuzhai Project	Qingdao Central Park No.1 • East Park	Chengyang District, Qingdao, Shandong Province	Residential/Commercial	100%	41,450	25,922	25,922	2015
61	Yantai Sunny Chief Yard Project	Sunny Chief Yard	Fushan District, Yantai, Shandong Province	Residential/Commercial	100%	195,609	219,985	219,985	
							12,068	12,068	Completed
							59,761	59,761	2015
							148,157	148,157	2016
62	Qingdao Chengyang Project	Airport International Centre	Qingdao, Shandong Province	Commercial/Office	100%	92,455	120,162	120,162	
							19,962	19,962	Completed
							100,200	100,200	2015
Total							10,906,912	8,815,027	

Note :

- Information stated in table updated as at 31 December 2014.
- Approximate site area is based on the most up-to-date 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

2014

January

March

June

February

May

January

BCL obtained projects in Zhaoquanying Town, Shunyi District, Beijing and Daxingzhuang Town, Pinggu District, Beijing. The total GFA of the land obtained was 410,000 sq. m. These projects are expected to fortify BCL'S stronghold in Beijing.

February

BCL successfully established a US\$1 billion guaranteed medium term note and perpetual securities programme. Under the programme, BCL issued drawdown notes in an aggregate nominal amount of RMB2.25 billion which includes a RMB2 billion three-year note at a coupon rate of 5.75%; and a RMB250 million five-year note at a coupon rate of 6.875%.

March

BCL issued a RMB1 billion drawdown note under its medium term note and perpetual securities programme. The three-year note carries a coupon rate of 5.75%, and was issued at 100.5% of the aggregate nominal amount of the drawdown notes.

May

BCL successfully acquired the Bei Yunhe project, which has a GFA of 232,000 sq.m., in Hebei District, Tianjin. Situated centrally within the inner ring of Tianjin, the land is conveniently located next to the Tianjin West Railway Station and the Bei Yunhe. The project will be a mixed-use urban complex built above a metro station.

June

BCL successfully acquired a project in Jialingchang, Shapingba District, Chongqing with a GFA of 655,000 sq.m. The project is located in Chongqing's core metro area and will be a large complex featuring both home-buyer residential and commercial properties.

CORPORATE MILESTONES DURING THE YEAR

October

December

July

November

July

BCL successfully acquired three projects in Qinglongchang, Chenghua District, Chengdu, the Gaojiao Park, Fangshan District, Beijing and Jiading Industrial Zone, Shanghai, respectively. The three projects have a total planned GFA of 660,000 sq.m., which effectively helps to expand the Company's land bank in core cities.

BCL also cooperated with an Australian property developer to launch its first overseas project, Project Eve in Sydney. The project launched with the sale of nearly 200 units for Phase One. More than 5,000 pre-sale registrations were recorded before the pre-sale period and were sold out within the week. The contracted sales amounted to about RMB800 million for the year.

October

The Hainan Capital Outlets was opened for business, attracting over 1.1 million customers from all over the country. Total turnover reached RMB450 million in 2014. The Hainan Capital Outlets was awarded a "AAA" tourist attraction by the China National Tourism Administration and became the first ever outlet-style tourist attraction in Hainan Province.

November

BCL injected the Xi'an First City project into its subsidiary, Juda International Holdings Limited (stock code:1329). The transfer of the project constitutes a reverse takeover and a deemed new listing of Juda. The transaction was completed in January 2015.

BCL took advantage of favorable market conditions to issue a US\$450 million perpetual security at a distribution rate of 7.125% under the Company's medium-term note and perpetual securities programme. The offering was oversubscribed 7.8 times.

Beijing Capital Land teamed up with CITIC Trust and some other investors to set up The Third Phase Real Estate Equity Investment Fund, with a fund size of RMB2.2 billion. The proceeds will be used to acquire equity interest in the Jianglingchang project in Chongqing.

December

BCL signed strategic cooperation agreements with China Construction Second Engineering Bureau Ltd and five other construction companies for general contracts and then launched a new centralized online procurement platform, which marked an important advance in the Company's centralized procurement system.

BCL joined hands with an Australian developer to launch phase 1 of the Carlingford residential project in Sydney. After receiving more than 3,500 applications, all 408 apartments offered in phase 1 were sold out within a week with contracted sales totaling RMB1.5 billion in 2014.

BCL successfully acquired two plots of land for the Yingpu Street Community project in Qingpu District, Shanghai and another two plots for the Yongfeng Street Community project in Songjiang District, Shanghai. With an aggregate planned GFA of 185,000 sq.m., both projects are targeted to be high-turnover, home-buyer oriented products that enjoy great strategic locations and high quality ancillary facilities built around the community.



CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT



The Group remains committed to executing our strategy, strengthening our portfolio by acquiring high quality land in core cities, and expanding overseas investments.

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 2014.

The global economy in 2014 slowed and saw a number of uneven developments. The U.S. economy largely recovered and picked up momentum as the U.S. Federal Reserve appears to be on track to gradually end quantitative easing. However, the economies of other developed countries and regions remain stressed and experienced various downturns. Emerging markets continued on a path of industrial and structural improvements while demonstrating stable growth momentum. As an important emerging market, China has stepped into a “new normal” phase, characterized by an increased emphasis on higher quality growth. Namely, the pace of economic growth will slow and move towards a more sustainable level from prior periods of hyper-growth. As the economic structure evolves, innovation will be a more important growth driver rather than productivity and investment.

During 2014, China’s property sector adjusted from last year’s rapid growth and also moved towards a “new normal”. Administrative policies were gradually lifted, movement on longer-term structural adjustments started to be seen, and market forces began to play a more important role. This new environment is leading to more rational consumer expectations and intense industrial competition. New integrated and innovative business models, including property-related internet businesses, will be the new focus of the industry and drive potential growth. The property sector has entered a new phase of development and will encounter new challenges and opportunities.

CHAIRMAN'S STATEMENT

2014 was the first year of our new strategic five year plan. As a part of this plan, we focused on projects in five core cities across three main business lines, and took advantage of investment opportunities in primary land markets. In 2014, our land investment totaled RMB19.4 billion with a focus on Beijing, Tianjin, Shanghai, Chengdu, and Chongqing, and GFA totaled to 3.54 million sq. m., mainly for high-turnover, home-buyer oriented products. Beijing and Shanghai accounted for over 70% of total investment. We therefore strengthened our foothold in Beijing and started to execute on our strategy in Shanghai.

We rapidly expanded our global business in 2014. BCL joined hands with Australian developers to launch mid-to-high-end residential projects in Sydney, namely Project Eve and Project Carlingford, in 2014. All apartments that were released sold out quickly, with total contracted sales reaching RMB2.3 billion. Our overseas business has become an important focus of development which provides new opportunities to the Company.

Considerable efforts have been made to promote our integrated "Residential + Outlet" business line, which is further bolstering our position as a leading nationwide outlet developer. Our Beijing Capital Outlets recorded turnover of RMB900 million in the second year of operation. The Hainan Integrated Outlets and Huzhou Integrated Outlets were also launched in 2014. All three outlets were awarded "AAA" tourist attractions by the China National Tourism Administration and became new tourism hot spots in their respective regions. By the end of 2014, our collection of outlet developments have attracted nearly 700 domestic and international brands, demonstrating our strong capabilities in commercial operations and management.



CHAIRMAN'S STATEMENT

During the year, we explored new and diversified financing channels in order to develop a comprehensive financing platform. In 2014, we injected 100% equity interest of Xi'an project into our subsidiary, Juda International Holdings Limited (Stock Code: 1329). Juda is a steadily developing red-chip platform that develops integrated commercial properties and innovative businesses, and provides access to mature overseas capital markets. In addition, we established a US\$1 billion guaranteed medium term note and perpetual securities programme, and issued RMB3.25 billion of senior bonds and US\$450 million of perpetual securities. In 2014, we also collaborated with a number of financial institutions to set up several real estate funds. BCL and CITIC Trust teamed up to invest RMB3.9 billion in two projects in Beijing and Chongqing.

In 2014, we proactively adopted measures to increase our sales performance during a period of industry adjustment. As part of these measures, we focused on accelerating project development and sales. For example, we greatly shortened the launch of construction and sales for projects that were newly obtained in 2014 to 5.5 months and 8.4 months, respectively. Secondly, we leveraged the internet to increase the number of sales and marketing channels that consumers have access to, combining onsite, offsite, and online channels, and creating a comprehensive online-to-offline (O2O) platform. The initiative has already helped to improve our sales performance. Thirdly, we adopted a direct investment program for several projects that allows BCL team members to invest in their projects, which helps to align incentives between shareholders and project teams. Teams that have adopted the direct investment program have seen significant improvements in contracted sales, cost controls and project development speed. During the year under review, we recorded total contracted sales area of approximately 2.495 million sq.m., an increase of 29.8% year-on-year, and total contracted sales were approximately RMB24.86 billion, an increase of 26.8 % year-on-year.



CHAIRMAN'S STATEMENT

We have experienced rapid growth in our overall business development and demonstrated significant progress on our new five-year strategy. Looking forward to 2015, the Group remains committed to executing our strategy, strengthening our portfolio by acquiring high quality land in core cities, and expanding overseas investments. We will redouble our efforts to leverage the internet to further accelerate sales and marketing channels, and introduce innovative initiatives in property management and customer service. We will also continue to build a standardized and centralized procurement platform in order to control costs and improve operational efficiency. In addition, further promotion of the direct investment program will aid our development as employees transform into partners.

On behalf of the Board, I would like to express our gratitude to BCL's clients, business partners and shareholders for their care, support and help over the past year. We are big advocates of promoting our core values of "passion, reliability, sharing, happiness, collaborative innovation". We will continue to forge ahead, accelerate our transformation and innovation, enhance our unique competitive edge, and devote ourselves to becoming one of the most valuable integrated property developers in China.

Liu Xiaoguang

Chairman

Hong Kong, 9 February 2015





MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS



OVERVIEW OF CHINA'S PROPERTY MARKET

Over the past year, the Chinese economy entered a period of transformation and started to stabilize after an extended era of high-speed development. The “new normal” gradually became a social consensus. China recorded GDP growth of 7.4% in 2014, a year-on-year decrease of 0.3 percentage points. The Central Economic Work Conference, which was held in December 2014, acknowledged the change in China’s economic development in terms of productivity, investment, consumption, and resource allocation. The shift to a “new normal” and a focus on higher quality growth is expected to help further optimize the economic structure, increase the efficiency of growth, and diversify the drivers of economic development.

During the year of 2014, property development investment in China reached RMB9,503.6 billion, a year-on-year increase of 10.5%. Of this, investment in residential property reached RMB6,435.2 billion, increase by 9.2% year-on-year. Investment in residential property accounted for 67.7% of the total investment in property development. The total area acquired by property developers was 333.83 million sq.m, decreased by 14% year-on-year.

The total transaction volume of commodity housing was 1,206.49 million sq.m, decreased by 7.6% year-on-year. Of this, the GFA of residential property sales fell by 9.1%, the GFA of office property sales declined by 13.4%, and the GFA of retail commercial sales rose by 7.2%. Sales of commodity housing totaled RMB7,629.2 billion, decreased by 6.3% year-on-year. Of this, sales of residential properties fell by 7.8%, sales of office properties fell by 21.4%, and sales of retail commercial properties increased by 7.6%.

MANAGEMENT DISCUSSION AND ANALYSIS

Along with the slowdown in economic growth, the property sector entered a period of profound adjustment during the year. The rapid growth momentum seen in 2013 slowed, inventory levels remained high, and consumer expectations changed. In the first half of 2014, the market was decidedly sluggish. However, regulatory policies in the property sector have been in transition. Administrative policies related to purchase and mortgage restrictions were gradually lifted and longer-term structural adjustments, such as household registration reform and land transfer rights, started to see steady movement. Market forces are starting to have a greater impact on the development of the sector. As a result, following the downturn in the first half of 2014, the property market likely bottomed during the fourth quarter, and appears to be back on track and showing signs of positive momentum in early 2015.

Regional differences in the property industry continued to intensify. Despite the overall slowdown in growth of the industry, first- and second-tier cities showed a stronger resistance to price declines and were more sensitive in their reaction to favorable changes in policy compared with third- and fourth-tier cities. There was also a continued concentration of market share. Leading property companies with strong fundamentals and brand advantages continued to obtain significant sales growth. Products targeting first time homebuyers and homebuyers looking for improved living conditions remained a main driver supporting the sales performance of property companies.

In 2014, the industry started to focus on developing more innovative business models. Property companies began to explore ways to leverage the internet in their operations, with “asset-light” models, e-marketing platforms and other innovative business development strategies. As the interaction and penetration between the property industry and the internet deepened, the industry has entered the early days of what some are calling an era of e-property.

Looking forward, the “new normal” will define the long-term state of economic and property market development to which property companies will need to adapt. With other longer-term structural changes that will also affect the property sector, including improvements to both the household and property registration systems, market forces will start to take more of a dominant role in the industry’s development. Consumer expectations are also expected to become more rational while competition in the market will become even more intense. As a result, regional differentiation and sector concentration will be further enhanced. In order to maintain long-term relevance in the “new normal,” property companies will have to deeply understand customer needs and values, create innovate business models, transform into new areas of growth, and seek more growth drivers and breakthroughs in diversification. In the long run, while we will continue to see further progress in comprehensive reforms and the stabilization of the macro economy, the general trend of urbanization remains unchanged. The fundamentals supporting the property market still exist and will be reinforced, and there remains vast potential in the property market.



MANAGEMENT DISCUSSION AND ANALYSIS

THE PAN BOHAI RIM REGION PROPERTY MARKET OVERVIEW

The property market of the Pan Bohai Rim Region, which centers around Beijing and Tianjin, faced certain downward pressure in 2014. The average house price in Beijing increased by only 1.83% year-on-year while the average price in Tianjin decreased by 4.14% year-on-year. The transaction volume of residential properties was also much lower than last year. However, the key areas such as Beijing and Tianjin also witnessed the purchase and loan restrictions policy change which strongly boosted the recovery of the region's property market at the end of the year. By easing the standards for "ordinary residential housing" in Beijing, the government showed more support for satisfying demand from home buyer in the city. The government also focused more on a bi-directional controls and applied specific policies for different regions. Tianjin announced a complete removal of purchase restrictions, known as "Tianjin 16", to support housing demand, boost taxes and provide other support to the region.

From a regional economic development perspective, the gradual integration of Beijing, Tianjin and Hebei will serve as a fundamental boost for property sector development in the area. The Central Economic Work Conference, which was held in December, listed "Beijing-Tianjin-Hebei Cooperative Development" as one of the main economic tasks in 2015. The development plan is expected to be released soon, while work related to the integration of the civil aviation, tourism, and financial sectors has already been proposed to related organizations. Acceleration of the integration plan will serve as a great growth catalyst for the regional property market.

THE YANGTZE RIVER DELTA REGION PROPERTY MARKET OVERVIEW

The property market in the Yangtze River Delta Region, which is the most developed area in China and has the strongest purchasing power, also slumped in 2014. Average house prices in Hangzhou, Suzhou, Ningbo, and Wuxi declined by more than 5% year-on-year. The only exception was Shanghai, which saw a small increase. With cities frequently fine tuning their policies to loosen industry restrictions, regional markets started to show signs of rebound in the fourth quarter.



MANAGEMENT DISCUSSION AND ANALYSIS

The integration of the Yangtze River Economic Belt was promoted to a national strategy in early 2014. In September 2014, the State Council published a plan to drive economic development along the Yangtze River Delta Region. The Central Economic Work Conference held in December 2014 further confirmed the development of the Yangtze River Economic Belt as one of the three main priorities for regional development. As a result of the plan, the region will receive stimulus programs for development and greater integration with the surrounding region. Representatives from Commercial Departments in Jiangsu, Zhejiang, Anhui and Shanghai jointly signed an agreement named “Cooperative Agreement to Promote Regional Market Integration and Development in the Yangtze River Delta Region” in December 2014. The agreement will help to establish a large integrated market and form a world-class urbanized area in the Yangtze River Delta Region. The integration is expected to attract more people from other regions and boost industry demand. Meanwhile, the increasing spillover effect from core cities such as Shanghai will further boost the attractiveness of surrounding cities.

MID-SOUTH WESTERN REGIONS PROPERTY MARKET OVERVIEW

The property market in the Mid-South Western region, which centers around Chongqing and Chengdu, suffered severe downward pressure in 2014. Average house prices in Chengdu and Chongqing recorded a year-on-year decrease of 1.96% and 8.21%, respectively. Developers were under great pressure to lower inventories. However, with the implementation of a new mortgage policy, the property market in the Chongqing and Chengdu area recovered in the fourth quarter and transaction volumes picked up significantly.

The integration of the Chengdu and Chongqing Economic Zone has also been strengthening. As inter-city transportation networks continue to experience regional intergration the two cities are starting to see greater interaction in terms of population, economic development and culture. Meanwhile, the Chengdu and Chongqing Metropolitan Area has been incorporated into the key development area of the Yangtze River Economic Zone. As a result, it will obtain more policy support in areas such as transportation and industry development. All these will help to establish the “One-hour living circle” within the Chengdu and Chongqing Economic Zone. Urbanization levels in the Chengdu and Chongqing Economic Zone are lower compared with the Pan Bohai Rim Region and the Yangtze River Delta Region. Given that the integration has gradually taken effect in these areas, Chongqing, Chengdu and the surrounding cities will become markets with high potential for significant growth in demand for property.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2014, the Group's revenue amounted to RMB10,057,967,000, representing a decrease of 11% compared with the previous year. Operating profit rose 18% year-on-year to RMB2,875,276,000. Net profit attributable to equity holders of the Company reached RMB1,689,741,000, representing an increase of 11% compared with the previous year. Basic earnings per share (EPS) amounted to RMB0.83, compared with RMB0.75 in 2013. The Board resolved to recommend the payment of a final dividend for the year ended 31 December 2014 of RMB0.25 per share (2013: RMB0.22 per share).

During the year under review, the Group saw significant breakthroughs in relation to its operations and management in the following areas:

1. Implementing strategic plans and reforming the organizational structure

- 2014 was the first year of the Company's new strategic five year plan. Centered around the theme of "strategic focus and innovation", the Company focused and expanded its three main business lines: Residential Properties, "Residence + Outlets" Complex, and Urban Core Complex. The Company continued to improve its standardized products and centralized procurement. It also accelerated its overall operations and development. The average launch cycle of new projects was shortened to 8.4 months.
- The Company promoted its co-investment program, which aligns the interests of its project operations teams closely with shareholders. The program brings employees into more of a partnership role and allows them to share both risk and return. The launch cycle of projects with incentive-based plans was shortened by 2-4 months, sales rates improved by 10-20%, and both shareholder returns and employee satisfaction are improved. Positive results were seen across the board.
- The Company promoted its vision of becoming "the most valuable property developer in China", its mission of "Create New Urban Life", and its core values of "passion, reliability, sharing, happiness, collaborative innovation." The new practice provides a moral compass for the Company's transformation.



MANAGEMENT DISCUSSION AND ANALYSIS

2. Investment focus pushed sales to new record

- In 2014, the Group focused on three major main business lines and five core cities. The aggregate Gross Floor Area (“GFA”) of new projects was 2.74 million sq.m.. New investment in its land bank reached RMB19.4 billion, representing a year-on-year growth of 66%. New projects focused on high turnover and home-buyer oriented housing in five core cities. Beijing and Shanghai accounted for 70% of total investment, which further strengthened the Company’s position in its home market in Beijing and bolstered its strategic layout in Shanghai.
- The Company remains committed to its strategy of “maximizing scale, accelerating turnover, destocking and optimizing business structure.” To boost sales, the Company focused on projects with high turnover and home-buyer oriented, activated its “everyone as broker” internet platform, collaborated with Taobao and other e-commerce platforms as a part of its innovative internet marketing plans, and diversified marketing channels. Contracted sales hit a new record of RMB24.86 billion in 2014, representing a year-on-year increase of 26.8%.

3. Paving the way for a nationwide chain of outlets by increasing operating scale

- In 2014, BCL Outlet projects were officially launched in Hainan and Huzhou. The Hainan Capital Outlets generated annual sales of RMB450 million and attracted 1.1 million visitors. The completion of the Beijing Sunken Plaza at the beginning of the year allowed the Fangshan Capital Outlets to generate annual sales of RMB900 million.
- The Company continued to co-operate with first-tier international and domestic brands to establish the “Capital Outlets” brand. By the end of 2014, the Company had contracted with 674 brands and formed strategic partnerships with 68 brands, paving the way to establishing a nationwide chain of outlets.
- The Company actively developed a model built around outlet tourism. By integrating tourism, leisure and shopping, the Company’s outlet projects in Beijing Fangshan, Hainan and Huzhou were granted status as national “AAA” tourist attractions.



MANAGEMENT DISCUSSION AND ANALYSIS

4. Actively expanding into overseas markets as the Company's developmental model matures

- In 2014, the Company successfully positioned itself in overseas markets by co-launching two residential projects in cooperation with Australian developers in Sydney.
- In July 2014, the Company launched Phase 1 of its first overseas residential project, Project Eve, in Sydney. The project is located approximately 3 kilometers from Sydney's city center and features convenient transportation nearby. The project was positioned as a mid-to-high-end residential property. Approximately 200 units were launched for sales during Phase 1 which received more than 5,000 pre-sale registrations. Most of the units were sold out immediately following the launch. Annual contracted sales were approximately RMB800 million.
- In December 2014, sales for Phase 1 of the Sydney Carlingford Project began. This project was co-developed by the Company and Australian developer Dyldam. 408 apartment units in Phase 1 were launched for sales, and all sold out within a month. Contracted sales were approximately RMB1.5 billion. The project is located near Sydney Carlingford Station and Parramatta business district. The project was positioned as a mid-to-high-end residential apartment development.

5. Breakthrough in Red-chip listing platform and diversified financing channels

- In order to increase the scale and improve the functions of its red-chip listing platform, the Company injected 100% of the equity interest in its Xi'an project into its subsidiary Juda International Holdings Limited in 2014. The asset injection was classified as a reverse takeover and was treated as a new listing. This transaction was completed in January 2015. Juda International Holdings Limited will be developed into a development platform for complex commercial properties and innovative businesses. It will take full advantage of mature offshore capital markets to drive its business development.
- During the year, the Company actively explored multiple financing channels and created a diversified financing platform. In 2014, the Company, through its wholly owned subsidiary, Central Plaza Development Ltd. ("Central Plaza"), to issue secured medium-term notes and perpetual securities of not more than US\$1 billion. The Company issued a total of RMB3.25 billion in senior notes and US\$450 million in perpetual securities to finance the Company's domestic operations and overseas investments.
- During the year, the Company actively explored real estate financing models in conjunction with domestic and international financial institutions. The Company jointly set up two real estate private equity funds with a total of RMB3 billion in capital with CITIC Trust. The capital raised will be invested in the Daxing Village Project in Pinggu District, Beijing and the Chongqing Jialingchang Project. The Company has also cooperated with PICC to raise RMB2 billion at a relatively low financing cost.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

In 2014, The Group, together with its joint ventures and associated companies, completed a total GFA of approximately 1,982,716 square meters.

Projects Completed in 2014

Project	Approximate Completed GFA (sq.m)	Type	Attributable Interest
Tianjin Noble City	21,270	Residential	40%
Tianjin Wuqing Project	103,751	Residential	100%
Tianjin A-Z Town	77,874	Residential	55%
Chongqing Hong'en International Living District	331,337	Residential/ Commercial	100%
Beijing Landscape Villa Project	90,812	Residential	100%
Kunshan Jinxi Project	37,567	Residential	51%
Yantai Sunny Chief Yard Project	98,565	Residential/ Commercial	100%
Chengdu Wanjuanshan Project	325,501	Residential/ Commercial	55%
Shenyang First City	197,810	Residential/ Commercial	30%
Xi'an First City	339,415	Residential/ Commercial	100%
Kunshan Novotown	89,780	Residential	100%
Huzhou Ren Huang Shan Project	74,042	Residential	55%
Huzhou Capital Outlets	42,841	Commercial	100%
Beijing Novotown	126,926	Residential	100%
Hainan Integrated Outlets Project	25,225	Residential	55%
Total	1,982,716		

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)
Beijing/Tianjin region	1,177,549	11,909	14,023,116
The Reflections, Beijing	2,595	63,153	163,910
Ealing, Beijing	23,617	19,575	462,314
Beijing Xanadu	1,883	98,980	186,351
Beijing Ballet Town	480	33,818	16,218
Beijing Novotown	63,729	21,167	1,348,944
Beijing Lanyinshan	14,043	15,720	220,754
Enjoyable City	70,710	11,973	846,635
Enjoyable River	133,724	11,064	1,479,481
Beijing Shunyi Zhaoquanying Project	188,903	12,346	2,332,203
Beijing Huairou International Conference Center	5,872	57,621	338,350
Beijing Lize Financial Business District Project	30,000	25,000	750,000
Tianjin First City	942	15,921	15,003
Tianjin Noble City	27,342	8,506	232,572
Tianjin Fortune Class	30,318	16,058	486,859
Tianjin Landing House	11,646	10,941	127,428
Tianjin International Peninsula	328,185	8,679	2,848,410
Tianjin Mangrove Bay	23,061	8,214	189,423
Tianjin Eco Village	127,353	8,500	1,082,540
Tianjin Cambridge County	51,446	9,626	495,198
Tianjin Xuan Community	41,700	9,605	400,523
Excluding Beijing/Tianjin region	1,226,181	8,578	10,517,809
Shanghai Time Flowing In Villa	445	26,856	11,959
Qinhuangdao Project	77,686	7,000	543,800
Chengdu First City	3,682	7,842	28,871
Chengdu Città Villa	7,572	8,108	61,396
Chengdu Wanjuanshan	40,659	5,021	204,133
Chengdu Eco Village	27,812	7,306	203,187
Shenyang First City	26,933	9,211	248,067
Shenyang Qipan Hills First Villa	14,852	6,528	96,951
Shenyang Eco Village	37,454	4,983	186,619
Wuxi Gentle House	7,911	7,296	57,713
Wuxi Joyous House	20,823	8,525	177,507
Jiangyin Auspicious House	7,794	6,626	51,649
Xi'an First City	147,218	6,982	1,027,831
Chongqing Hong'en International Living District	170,700	7,841	1,338,507

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)
Chongqing Eco Village	117,065	6,368	745,523
Zhenjiang Joyous House	79,209	4,328	342,802
Hainan Integrated Outlets Project	23,741	9,443	224,196
Qingdao Central Park No.1	43,263	7,407	320,455
Qingdao Sunny Xiangmi Lake	28,013	7,530	210,931
Yantai Sunny Chief Yard	71,532	6,400	457,814
Qingdao Airport International Center	20,028	9,653	193,333
Huzhou Joyous House	9,337	7,905	73,809
Kunshan Integrated Outlets Project	154,611	6,730	1,040,466
Kunshan Eastern Mystery	37,898	10,357	392,507
Project Eve, Australia	12,333	64,692	797,852
Project Carlingford, Australia	37,610	39,349	1,479,931
Car Parking Space	91,285	3,519	321,201
Total	2,495,015	9,965	24,862,126



MANAGEMENT DISCUSSION AND ANALYSIS

In 2014, the continued pressure from the slowdown of China's economy, and adjustments to regulatory policies – such as restrictions on house purchases and loans-affected the entire property market. Sales volume and gross floor area sold showed negative growth at an accelerating rate. Declining housing prices spread from third-and fourth-tier cities into the first-and second-tier cities. As adjustments to the property market continued to deepen, local governments began to remove restrictions on real estate purchases beginning in June 2014 while the central bank relaxed rules of mortgage application for the first time home buyers. In November 2014, expectations of further easing in interest rates by the central bank boosted investor confidence in the property market, which led to a swift market recovery in first-tier cities and key second-tier cities.

In 2014, the Company focused its strategy on five core cities, and within these cities, small and medium size units with high home-buyer demand and rapid turnover. While the Company continued to make progress in the domestic market, it also actively explored opportunities in overseas markets, which in turn helped the Group increase sales, despite the market pressure. The total contracted sales area of the Group, together with its joint ventures and associated companies, was approximately 2.495 million sq.m, an increase of 29.8% year-on-year, of which approximately 89.5% was generated from residential property sales. The total value of contracted sales was approximately RMB24.86 billion, an increase of 26.8% year-on-year, of which approximately 89.6% was generated from residential property sales. At the end of 2014, cumulative subscription sales awaiting signing of official sales contracts was RMB900 million. In terms of geographic distribution, 77% of total contracted sales were in Beijing, Tianjin, Shanghai, Chengdu and Chongqing, which are the five core cities for the Group, as well as Sydney, Australia, which is a new area of focus. This represents an increase of 5 percentage points year-on-year, and helped the Group to successfully centralize its resources and further develop key areas.

In 2014, the internet started to become a significant tool among both consumers and developers in the real estate market in China. The Company identified this trend and took the opportunity to develop a closer relationship with customers and explored new and expanded marketing channels. At the end of 2014, there were at least three sales office agents and 12 outside sales office channels competing to sell just one of the Group's projects, which means survival of the fittest. The Company took the initiative to establish its "Everyone as Broker" internet platform, which was used by approximately 2,000 customers and resulted in a higher number of contracts signed than through traditional channels. The Company cooperated with internet e-commerce platforms such as Taobao, JD.com, Fangdd.com, and Pinganfang.com. With Taobao, the Company organized the "1212 BCL and Taobao Sales Promotion Activities" in an effort to sell approximately 3,000 different units. The Tianjin Wuqing International Peninsula Project is an example of channel innovation. In 2014, contracted sales totaled RMB2.1 billion, placing the Company third in terms of sales in Tianjin.

In 2015, the Group will continue to focus on optimizing its product portfolio with an emphasis on property development in major core regions. The Group plans to expand sales of units in the newly acquired projects in Beijing, Shanghai and Tianjin. These projects, which were all acquired in 2014 will debut in 2015, strengthening the Group's market position in Beijing and Tianjin, and building the Group's brand and reputation in Shanghai. In 2015, the Group expects to have more than 5 million sq.m. of salable products and total contracted sales of more than RMB35 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

Premier City 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 No. 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 Damejijiang 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. The project has 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 Città 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 “AAAA” 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 Subway No. 2. The project has a view of the Chenglong Campus of Sichuan Normal University, and is next to the university at its south. It also basks 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.

Tianjin – Eco Village



The project is adjacent to Tianjin-Tanggu Highway, next to Lishuang 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. BCL is set to provide the owner a home that deserves living for the whole life.

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

MANAGEMENT DISCUSSION AND ANALYSIS

First City Series

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 area 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.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

County House Series

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 Diyiyingbin 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

County House Series

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.

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 provides 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

Residence + Outlet 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 Financial 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.

Hainan Integrated Outlets Project



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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Residence + Outlet Series

Huzhou Integrated Outlets Project



Situated at the center of the southern Taihu Lake tourist district, Ballet Town is surrounded by Taihu Lake, 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 Product

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 Shandong 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 Product

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 Chongqingzhong Road 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 Project

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 of 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

Urban Core Complex and Commercial Project

Tianjin • Dahechenzhang



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

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

Overseas Project

Sydney • Project Eve



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

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

Sydney • Project Carlingford



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

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

MANAGEMENT DISCUSSION AND ANALYSIS

HOTEL OPERATIONS

During the year, Holiday Inn Central Plaza achieved stable operating performance by improving service quality and expanding its client base. As at 31 December 2014, revenue from the hotel totaled approximately RMB89,660,000, decrease 9% year-on-year. The average occupancy rate was approximately 76%, same as last year.

LAND BANK

In 2014, the domestic land market saw a certain degree of fluctuation. The market was hot at both the beginning and end of the year, and relatively cold in the middle. The Group took advantage of the land market's cooling-off period to acquire plots of land with lower premiums in the five core cities of strategic-focus.

In 2014, the Group's total investment in land reached RMB19.4 billion, a year-on-year increase of 66%. Newly invested projects added an aggregate GFA of approximately 3.54 million sq.m. to the land bank. Of that, projects satisfying home-buyer demand accounted for 88%. Investments in Beijing and Shanghai reached RMB13.5 billion, accounting for nearly 70% of the total investment.

Resource coordination, solidifying the main market in Beijing

In 2014, the Group took advantage of being first-mover in terms of primary land development of the Zhaoquanying Project in Shunyi District, Beijing. The Group acquired five land plots with an aggregate GFA of 750,000 sq.m., effectively supplementing the Group's land bank in Beijing. The Group also acquired the new Gaojiao Park Project in Fangshan District, increasing the number of projects in Fangshan to four and making Fangshan a key district in South Beijing.

Fast breakthrough; presence in Shanghai begins to take shape

In July 2014, the Group successfully acquired an aggregate GFA of 320,000 sq.m. of land in the industrial Jiading District Shanghai. It is currently the biggest plot of land in Jiading. In December, the Group also acquired two other plots at the Yingpu Street Community project in Qingpu District, Shanghai and another two at the Yongfeng Street Community project in Songjiang District, Shanghai. The projects totaling an aggregate GFA of 260,000 sq.m., are fully equipped, enjoy convenient nearby transportation, and are expected to satisfy home-buyer demand and achieve the goal of rapid turnover. By the end of 2014, the Group had invested in six projects in Shanghai with a total GFA available for sale of nearly RMB10 billion.

Cooperating with other companies to explore overseas markets

In July and November 2014, the Group cooperated with local Australian developers to invest in Project Eve and Project Carlingford in Sydney. Both projects are medium-to-high-end residential projects of small-sized apartments. The apartments are situated near schools with convenient transportation and high quality ancillary facilities. The projects were launched in 2014 and the contracted sales totaled RMB2.3 billion. The overseas market has become an important part of the Group's business.

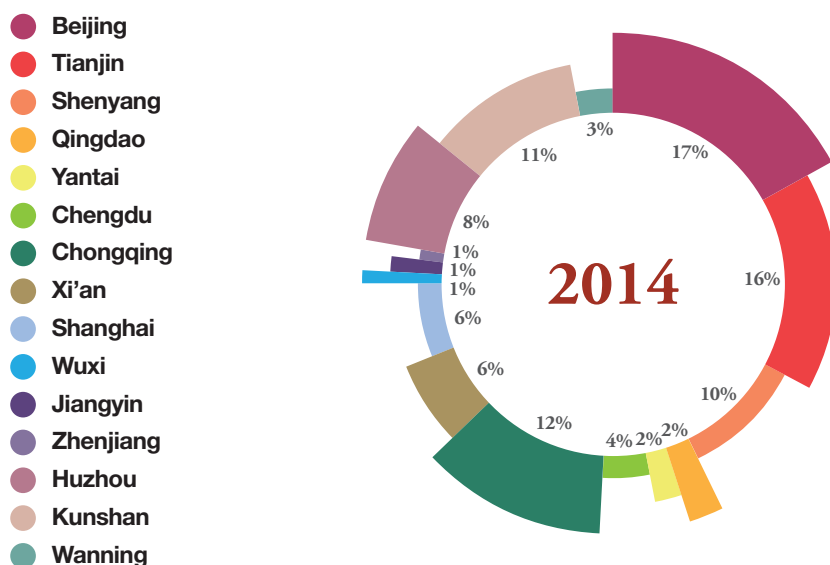
MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2014, the Group's land bank had an aggregate GFA of 10.91 million sq.m. (8.95 million sq.m. of which was attributable to the Company's equity interests) and had a total ground area of 8.82 million sq.m. (7.28 million sq.m. of which was attributable to the Company's equity interests). Of the total land bank GFA, approximately 59% was for residential projects, 13% was for commercial projects, 8% was for office use, 1% was for hotels, and 19% was for car parks and other uses. The existing land bank is considered to be of optimum scale and sufficient for the Group's development in the coming three to four years.

New Projects in 2014

City	Project	Site Area of land ('0000 sq.m.)	Total GFA ('0000 sq.m.)	Ground GFA ('0000 sq.m.)
Beijing	Zhaoquanying Project in Shunyi District	40.4	74.5	60.3
	Gaojiao Park Project in Fangshan District	5.6	20.2	15.7
	Daxing Village Project in Pinggu District	8.3	19.3	15.1
	Taiping Village Project in Haidian District	0.5	2.2	1.6
Shanghai	Industrial Zone Project in Jiading District	12.3	32.2	24.6
	Yingpu Street Community Project in Qingpu District	6.7	16.9	12.1
	Yongfeng Street Community Project in Songjiang District	4.6	9.3	6.4
Tianjin	Beiyunhe Project	6.3	33.2	23.2
	Wuqing 07-02 Plot	6.5	7.5	7.5
Chongqing	Jialingchang Project	21.8	84.8	65.5
Chengdu	Qinglongchang Project	8.7	37.9	25.7
Sydney, Australia	Project Eve	2.1	3.4	3.4
	Project Carlingford	4.2	12.8	12.8
Total		128.0	354.2	273.9

Geographical breakdown of the Company's land bank by the end of 2014



MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As of 31 December 2014, the Group had a professional team of 1,727 staff with an average age of 32.6. In terms of education level, 74.5% of employees graduated with bachelor degrees or above, and 10% of these employees had a master's degree or above. Employees with intermediate or senior professional titles accounted for 24%.

In 2014, the Group proactively adapted to the changes in the property sector and the market, rebuilt its core corporate values, reinforced a progressive corporate culture, and provided greater motivation for rapid development. The Group has a plan for a smooth internal restructuring and adjusted its management structure, improved the operating efficiency and promoted rapid growth in scale. The Group further improved its performance incentive system from the perspective of shareholders, and also promoted a system of allowing employees to co-invest in projects, which is motivating the project teams to cooperate and create greater value for shareholders.

The Group believes human resources are a vital component for rapid growth and as such, the Group continued to make a focused effort to add and improve talent. A special program for employees in mid-to-high level management positions was implemented to foster leadership. The Group encouraged outstanding employees performance by adopting competitive selection, and identifying people who meet the needs of the Group's new business and people who are able to drive the Group towards the direction of a leading organization in the industry.

BUSINESS MODEL

Aspiring to be "the Most Valuable Comprehensive Property Developer" in China, the Group focuses on three core business lines: Residential Property, "Residence + Outlet" Complex, and Urban Core Complex. This is complemented by innovative businesses such as 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 Property Development

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 launched a number of standardized products which comply with price and space controls. These products provide top quality services to the Group's customers and simultaneously establish the Company's unique brand positioning. Some representative projects include the "A-Z Town" series, "First City" series, and "County House" series.

Residence + Outlet

The Group targets cities based on major economic indicators, including GDP, population, level of market competition and market space. Outlets are combined retail, restaurants, leisure and entertainment and experience, and are targeted at large populations with high-end domestic and international luxury brands. Some representative projects include the Beijing Capital Outlets, the Hainan Capital Outlets, the Kunshan Capital Outlets.

MANAGEMENT DISCUSSION AND ANALYSIS

Urban Core Complex

The Group focuses on big cities such as Beijing, Tianjin, Shanghai, Chengdu, and Chongqing, and regional centers where metro lines are being built. Projects are positioned as urban high-end commercial complexes. The Group developed its complex business by resource integration and expansion, achieving stable rental returns for investors, and business and management partners. Representative projects include the Beijing Lize Financial Business District Project.

Primary Land Development

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

STRATEGY AND VISION

With China's economy entering a new stage of higher quality growth and improved efficiency, the property sector has also entered a "new normal" phase, and regulations are also changing. As the economy increasingly moves towards a market-based system, the sector is gradually adapting to the "new normal". Supported by policies related to finance, land, tax, and housing support, and driven by the new urbanization in China, the property sector will maintain healthy pace of development over the mid-to-long term.

Differentiation and frequent fluctuations in the property sector are also distinctive features of the "new normal" environment. In 2015, major cities, especially second-, third-, and fourth-tier cities, will still face serious property inventory pressure. Relaxation of policies and a reduction of interest rates are expected to have a positive impact on the market. Therefore, destocking at this stage will continue to be a major theme this year. As market competition intensifies, property companies need to improve their business operations in all areas and speed up innovation related to new trends in order to differentiate themselves amid competition and achieve rapid development.

The Group will continue to push forward the following development strategies in 2015:

- Focus on core regions and businesses – The group will continue to expand its land investments and focus on five core cities: Beijing, Shanghai, Tianjin, Chongqing, and Chengdu. Riding on the Group's competitive advantages and synergies that are expected to be created with the parent company's infrastructure business, the Group will allocate more resources to acquire land in core areas such as Beijing's CBD. Following the country's Beijing-Tianjin-Hebei integration strategy and riding on the existing Wuqing project in Tianjin, the Group aims to explore a new profit model that focuses on attracting investment with experiences in the industry in addition to its traditional primary and secondary land development model.
- Accelerate operations and drive innovation – The Group will speed up its project operations and development, and minimize the time between from land acquisition and property launch to an industry leading level. The Group will complete the promotion of a standardized product line and the launch of a standardized information platform. The Group will also implement a strategic procurement system connecting headquarters, regions, and front line companies, as well as a co-investment program to better motivate the team. The Groups will also integrate channel resources, set up in-house marketing teams and diversify marketing channels with the use of the Internet.

MANAGEMENT DISCUSSION AND ANALYSIS

- Business innovation and transition to an innovative asset-light model – The Group will provide more value-added services focusing “Eco Living” through the Internet and the “Lehui Home” brand. The Group will provide a one-stop experience by adapting an O2O model in marketing, property management, customer service, and asset management in order to improve value for customers.
- Create a red-chip platform that manages outlets integrated property – This platform will focus on outlets business operation management and brand building. It will acquire and develop land on its own, as well as lease renovated property assets acquired through merge and acquisition. With diversified equity financing channels, including equity capital from the red-chip listed company or investment from commercial property funds, the Group will accelerate the business presence of the outlets business and seek to achieve asset-light expansion.
- Steadily expand overseas investments based on the successful Sydney model – The Group will mainly focus on markets with Chinese residence in developed countries where immigration policies are more favorable, such as Australia, the UK, and the U.S. In the future, overseas contracted sales are expected to account for 10% of total contracted sales.
- Diversify and optimize financing structure – By taking full advantages of credit and domestic and overseas financing platforms, the Group will strive to maximize its financing options. The Group will proactively explore innovative financing models, including securitizing properties, launching new property funds, and cooperating with insurance funds in order to provide the business with long-term and low-cost financial support. The Group will continuously optimize its capital structure and control financial risks amid rapid development.

FINANCIAL ANALYSIS

1. Revenue and Operating Results

In 2014, revenue of the Group was approximately RMB10,057,967,000 (2013: RMB11,320,840,000), representing a decrease of approximately 11% from the year 2013. Such decrease in revenue was mainly attributable to the decrease in new projects completed and occupied during the year.

In 2014, the Group achieved a gross margin after business tax of approximately 24%, representing a decrease of 3 percentage points when comparing with 27% in 2013, which was mainly attributable to an increase in proportion of revenue with lower gross margin generated in the area other than Beijing and Chengyu regions during the year when compared with 2013.

In 2014, the operating profit of the Group was approximately RMB2,875,276,000 (2013: RMB2,426,553,000), representing an increase of approximately 18% from 2013.

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 2014, the Group's total assets were RMB78,679,556,000 (31 December 2013: RMB56,190,688,000) and non-current assets were RMB11,335,190,000 (31 December 2013: RMB7,308,657,000) and the total liabilities were RMB57,266,030,000 (31 December 2013: RMB39,962,204,000) (of which, current liabilities were RMB33,814,386,000 (31 December 2013: RMB26,465,407,000) and non-current liabilities were RMB23,451,644,000 (31 December 2013: RMB13,496,797,000), and shareholder's equity were RMB21,413,526,000 (31 December 2013: RMB16,228,484,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has sound liquidity and solvency. Current ratio of the Group as at 31 December 2014 was 1.99 (31 December 2013: 1.85).

As at 31 December 2014, the Group's cash and bank deposit amounted to RMB13,897,026,000 (31 December 2013: RMB11,339,807,000), which represented sufficient cash flow for operations.

Bank borrowings and debentures of the Group as at 31 December 2014 amounted to RMB32,528,152,000 (31 December 2013: RMB20,829,196,000), of which the long-term loan and debentures amounted to RMB20,948,474,000 (31 December 2013: RMB12,716,845,000), which were mainly used to satisfy the capital requirements of the Group's property development projects.

As at 31 December 2014, the Group's net gearing ratio was approximately 87% (31 December 2013: 58%). The net gearing ratio of the Group is calculated by the borrowing net of cash and bank balances divided by total owners' equity.

3. Changes in major subsidiaries, joint ventures and associates

Beijing Yikaiyou Real Estate Co., Ltd. (北京益凱優置業有限公司), a subsidiary of the Group was incorporated in February 2014, and 100% of its equity interest was held by the Group.

Beijing Guijiamao Real Estate Co., Ltd. (北京貴佳茂置業有限公司), a subsidiary of the Group was incorporated in May 2014, and 100% of its equity interest was held by the Group.

Tianjin Xingtai Jihong Real Estate Co., Ltd. (天津興泰吉鴻置業有限公司), a subsidiary of the Group was incorporated in June 2014, and 100% of its equity interest was held by the Group.

Shanghai Capital Zhengheng Real Estate Co., Ltd. (上海首創正恒置業有限公司), a subsidiary of the Group was incorporated in June 2014, and 100% of its equity interest was held by the Group.

Chengdu Capital Zhenghua Real Estate Co., Ltd. (成都首創正華置業有限公司), a subsidiary of the Group was incorporated in July 2014, and 100% of its equity interest was held by the Group.

Beijing Chuangrui Huan Real Estate Co., Ltd. (北京創瑞華安置業有限公司), a subsidiary of the Group was incorporated in July 2014, and 100% of its equity interest was held by the Group.

During the year, the Group acquired entire equity interest in Beijing Lianchuang Shengye Real Estate Development Co., Ltd. (北京聯創盛業房地產開發有限公司).

During the year, the Group acquired entire equity interest in Beijing Yongyuan Jintai Investment Management Co. Ltd (北京永元金泰投資管理有限公司) (hereinafter "Yongyuan Jintai"), and thus acquired 100% equity interest in Beijing Xingtai Jicheng Real Estate Co. Ltd (北京興泰吉成置業有限公司) wholly-owned by Yongyuan Jintai.

During the year, the Group acquired 50% equity interest in Chongqing Capital Xinshi Real Estate Ltd. (重慶首創新石置業有限公司), which was a former subsidiary of the Group. Upon completion of the acquisition, the Group held its 100% equity interest.

During the year, the Group acquired 45% equity interest in Tianjin Banshan Renjia Real Estate Co., Ltd. (天津伴山人家置業有限公司), which was a former subsidiary of the Group. Upon completion of the acquisition, the Group held its 100% equity interest.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group acquired 60% of equity interests in Xi'an Capital Xinkai Real Estate Development Co., Ltd. (西安首創新開置業有限公司) (hereinafter "Xi'an Xinkai"), a former associate of the Group, upon the completion of the acquisition, Xi'an Xinkai became a subsidiary of the Group and was held as to 100% by the Group.

During the year, the Group acquired 40% of equity interests in Beijing Liujin Property Limited (北京鑾金置業有限公司) (hereinafter "Liujin Property"), Liujin Property became an associate of the Group after the completion of the acquisition.

During the year, the Group obtained the de facto control over Huzhou Capital Rongcheng Real Estate Development Co., Ltd. (湖州首創榮城置業有限公司) (hereinafter "Huzhou Rongcheng"), a former jointly controlled entity of the Group, by amending articles of association of the company, such that Huzhou Rongcheng became a subsidiary of the Group, and was held as to 55% by the Group.

During the year, the Group disposed of 100% equity interest in its subsidiary, Bantex Investments Limited, therefore disposed of 50% equity interest in its subsidiary, Beijing Tian Cheng Yong Yuan Zhi Ye Limited (北京天城永元置業有限公司) (hereinafter "Tian Cheng Yong Yuan"). Upon Disposal, the Group held 50% of equity interests in Tian Cheng Yong Yuan. According to a Joint Venture Agreement, the Group can still exercise the control over Tian Cheng Yong Yuan and therefore it has been recognised as a subsidiary.

During the year, the Group disposed 100% equity interest in its subsidiaries, Beijing Wan'an huixin Investment and Management Co., Ltd. (北京萬安匯鑫投資管理有限公司) and Beijing Jinfu hongxiang Investment and Management Co., Ltd. (北京錦富鴻翔投資管理有限公司), therefore disposed of 100% equity interest in its subsidiary, Beijing Huayuan shengxing Real Estate Co., Ltd. (北京華垣盛興置業有限公司).

During the year, the Group disposed entire equity interests in its subsidiary, Beijing Litong Shangyi Real Estate Development Co., Ltd. (北京利通商宜投資有限公司).

During the year, the Group held 10% of the intermediate fund units in Zhuhai Hengqin Beijing Capital Land Zizhufang Equity Investment Centre (Limited Partner) (珠海橫琴首創置業自住房股權投資中心(有限合夥)) (hereinafter "ZHZZF"). ZHZZF held 100% equity interest in Beijing Taihao Shengyuan Property Limited (北京泰浩盛垣置業有限公司) (hereinafter "Taihao Shengyuan"). According to the partnership agreement, the Group and other shareholders jointly control the investment and operation strategy of ZHZZF and Taihao Shengyuan, therefore they have been classified as joint ventures.

During the year, the Group held 20.73% of the intermediate fund units in Zhuhai Hengqin Ruiyuan Jialing Equity Investment Centre (Limited Partner) (珠海橫琴瑞元嘉陵股權投資中心(有限合夥)) (hereinafter "ZHJF"). ZHJF held 100% equity interest in Chongqing Shouhui Real Estate Co., Ltd. (重慶首匯置業有限公司)(hereinafter "Shouhui Real Estate"). According to the partnership agreement, the Group and other shareholders jointly control the investment and operation strategy of ZHJF and Shouhui Real Estate, and therefore ZHJF have been classified as joint ventures. As of 31 December 2014, Senior Partners of ZHJF have not completed their capital contribution.

During the year, Kunshan Chuangbo Fund (昆山創博基金), a joint venture of the Group, completed liquidation upon expiry of its term. The Group has recovered all the subordinated contributions and earnings.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Entrusted Deposits and Overdue Time Deposits

As at 31 December 2014, the Group had no entrusted deposits and overdue time deposits.

5. Borrowings

As at 31 December 2014, bank borrowings of RMB336,000,000 (31 December 2013: RMB210,000,000) were pledged by guaranteed deposit.

As at 31 December 2014, bank borrowings of RMB3,997,162,000 (31 December 2013: RMB3,052,133,000) were secured by certain properties under development.

As at 31 December 2014, bank borrowings of RMB497,900,000 (31 December 2013: RMB367,408,000) were secured by fixed assets and land use rights.

As at 31 December 2014, bank borrowings of RMB144,000,000 (31 December 2013: Nil) were pledged by guaranteed deposit and secured by the guarantee provided by the Group.

As at 31 December 2014, bank borrowings of RMB650,000,000 (31 December 2013: RMB1,008,753,000) were pledged by the equity interests of subsidiaries held and the guaranteed provided by the Group.

As at 31 December 2014, bank borrowings of RMB479,500,000 (31 December 2013: RMB2,383,125,000) were secured by the guarantee provided by the Group for its subsidiaries.

As at 31 December 2014, bank borrowings of RMB7,085,100,000 (31 December 2013: RMB2,578,100,000) were secured by the guarantee provided by the Group for its subsidiaries, and secured by certain properties under development of the subsidiaries.

As at 31 December 2014, bank borrowings of RMB400,000,000 (31 December 2013: Nil) were pledged by guaranteed deposit and secured by the land use rights and certain properties under development of the Group.

As at 31 December 2014, bank borrowings of RMB540,000,000 (31 December 2013: RMB864,538,000) were secured by the guarantee provided by the Group for its subsidiaries and secured by buildings under development of the subsidiaries of the Company and pledged by its corresponding income right.

As at 31 December 2014, bank borrowings of RMB900,000,000 (31 December 2013: Nil) were secured by the guarantee provided by the Group for its subsidiaries and secured by the land use rights of the land under development of the subsidiaries of the Group and pledged by equity interests.

As at 31 December 2014, bank borrowings of RMB2,311,105,000 (31 December 2013: RMB212,021,000) were pledged by bank deposits of the Group.

As at 31 December 2014, bank borrowings of RMB72,500,000 (31 December 2013: RMB87,500,000) were pledged by the entire equity interests of and the income arising from primary land development of the Group.

As at 31 December 2014, bank borrowings of RMB362,070,000 (31 December 2013: RMB5,000,000) were credit loans obtained by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2014, bank borrowings of RMB5,220,000,000 (31 December 2013: RMB2,000,000,000) were secured by the guarantee provided by Capital Group for the Group.

Trust loans of RMB400,000,000 (31 December 2013: Nil) were secured by the equity interests of subsidiaries held and the guarantee provided by the Group; trust loans of RMB597,000,000 (31 December 2013: Nil) were credit loans obtained by the Group; trust loans of RMB1,550,000,000 (31 December 2013: RMB950,000,000) were secured by the guarantee provided by the Group; trust loans of RMB780,000,000 (31 December 2013: RMB800,000,000) were secured by the guarantees provided by Capital Group and the Group for its subsidiaries. Trust loans of RMB1,000,000,000 (31 December 2013: RMB1,000,000,000) were secured by the guarantee provided by Capital Group for the Group.

6. Corporate Bonds

In February 2011, BECL Investment Holding Limited issued 3-years RMB bonds in a principal amount of RMB1,150,000,000 with an interest rate of 4.75% per annum, which were guaranteed by the Group. The bonds were settled in February 2014.

In September 2009, the Group issued 5-years RMB bonds in a principal amount of RMB1,000,000,000 with an interest rate of 6.5% per annum. The bonds were settled in September 2014.

In November 2012, Central Plaza issued 3-years RMB bonds in a principal amount of RMB2,000,000,000 with an interest rate of 7.6% per annum, which were guaranteed by certain subsidiaries of the Group including International Financial Center Property Ltd. ("IFC").

7. Medium Term Note

In February 2014, Central Plaza established a Guaranteed Medium Term Note and Perpetual Securities Programme (the "Programme"), guaranteed by IFC or, as the case may be, the Company, for securities to be issued thereunder. Under the Programme, Central Plaza may offer and issue securities of principal amount of up to USD1,000,000,000.

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

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

8. Equity Instrument

As of 31 December 2014, Central Plaza issued a total amount of USD850,000,000 Senior Perpetual Capital Securities. The securities were guaranteed by certain subsidiaries of the Group including IFC. Such securities have no maturity date and are redeemable at the option of Central Plaza as the issuer. Central Plaza as the issuer may elect to defer distribution with no times limits only if Central Plaza or the Company announce or pay dividend. The securities are classified as equity instrument, where:

In April 2013, Central Plaza issued USD400,000,000 Senior Perpetual Capital Securities at a distribution rate of 8.375% per annum. In November 2014, Central Plaza issued USD450,000,000 perpetual securities under the Medium Term Note and Perpetual Securities Programme at a distribution rate of 7.125% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2014, Minsheng Royal Asset Management Co., Ltd. (hereinafter “Minsheng Royal”) established a Specific Assets Management Plan which raised a total amount of RMB4,350,000,000. According to the terms of Investment Agreement, the raised fund is subject to no fixed repayment terms. Unless the Company or its assigned subsidiary announces dividend, the Group may elect to defer the distribution with no times limits. Therefore, the Specific Assets Management Plan should be classified as equity instrument, where:

In December 2013, Minsheng Royal established a Specific Assets Management Plan and raised a total amount of RMB2,200,000,000. Since the Specific Assets Management Plan is set up by its subsidiary as a special purpose entity for financing needs, it is consolidated into the Group. In addition to the subordinated units subscribed for by the Company, the capital raised amounting to RMB 2,010,000,000 was recognised as non-controlling interest in consolidation;

In June 2014, Minsheng Royal raised a total amount of RMB1,500,000,000. According to the terms of Investment Agreement, the amount of non-controlling interests recognized amounted to RMB1,335,000,000 after deducting the inevitable dividend payable in the foreseeable future;

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

9. Contingent Liabilities

The Group had arranged bank facilities for certain purchasers of its properties and provided guarantees to secure the repayment obligations of such purchasers. The outstanding balances of guarantees amounted to RMB6,528,320,000 as at 31 December 2014 (31 December 2013: RMB3,198,457,000).

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 transfers the ownership 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 2014, the Group provided guarantees for its subsidiaries’ borrowing of RMB14,058,600,000 (31 December 2013: RMB9,580,515,000).

As at 31 December 2014, IFC, a subsidiary of the Group, provided guarantees for the corporate bonds of RMB5,250,000,000 and the Senior Perpetual Capital Securities of USD850,000,000 issued by Central Plaza, a subsidiary of the Group.

As at 31 December 2014, the Group provided guarantee for Minsheng Royal Capital Management Plan of RMB4,350,000,000.

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The fifth session of the Board of Directors took effect on 5 December 2014 for a term of three years.

CHAIRMAN

Liu Xiaoguang (劉曉光), aged 60, has been appointed as an executive Director and the Chairman of the Company since December 2002. He has been appointed as the chairman of Capital Group since January 2013. Mr. Liu has served as deputy general manager of Capital Group from November 1995 to August 2000, served as general manager of Capital Group from August 2000 to January 2013 and its deputy chairman from November 1995 to January 2013. Prior to his appointment with Capital Group, Mr. Liu had approximately 13 years of working experience in various departments of Beijing Municipal Government including serving as the deputy director of Beijing Municipal Commission of Development and Planning. Since August 1999, Mr. Liu has served as the chairman of Beijing Capital Co., Ltd. (SHSE Stock Code: 600008). Mr. Liu is also an executive director of Capital Environment Holdings Limited (Stock Code: 3989) since May 2011 and China Development Bank International Investment Limited (Stock Code: 1062) since March 1994 and a non-executive director of Juda International Holdings Limited (Stock Code: 1329) since December 2013. Mr. Liu obtained his Bachelor degree in Economics from the Beijing Institute of Commerce in 1983.

EXECUTIVE DIRECTORS

Tang Jun (唐軍), aged 55, has been appointed as an executive Director and the President of the Company since December 2002. Mr. Tang is also director of certain subsidiaries of the Company. Mr. Tang has worked for Beijing Municipal Commission of Development and Planning from June 1986 to July 1989 and Beijing Composite Investments Company from July 1989 to October 1995. From October 1995 to May 2004, Mr. Tang was the general manager of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Tang also serves as Chairman of Yang Guang Co., Ltd. (SZSE Stock Code: 000608) since October 1997, a director of Hua Yuan Co., Ltd. (SHSE Stock Code: 600743) since October 2008 and an executive director and chairman of the Board of Juda International Holdings Limited (Stock Code: 1329) since December 2013. Mr. Tang obtained his Bachelor degree in Construction Engineering from Hefei University of Technology in 1982.

Zhang Shengli (張勝利), aged 51, has been appointed as an executive Director of the Company since December 2014. He was a non-executive Director of the Company from December 2011 to December 2014. 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 Capital Group in January 1996 and 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 director of the Industry Restructuring Office of Capital Group. Mr. Zhang has served as general manager of the Department of Operation Management of 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 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

NON-EXECUTIVE DIRECTORS

Wang Hao (王灏), aged 47, 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 Capital Group as the deputy chairman and general manager. Prior to his appointment with Capital Group, from July 1990 to February 2000, Mr. Wang had worked for Beijing Coal General Company and became its deputy general manager in December 1994. Since February 2000 to March 2001, he served as the deputy head of Beijing Offshore Financing and Investment Management Centre. During March 2001 to July 2001, he served as the director and deputy general manager of Beijing State-owned Assets Management Co., Ltd.. From July 2001 to November 2003, he served as the director and deputy general manager of Beijing Metro Group Company Ltd.. From November 2003 to December 2009, he served as the deputy general manager, director and general manager of Beijing Infrastructure Investment Corporation Limited successively. From September 2009 to January 2013, he served as the deputy head of State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. Mr. Wang is also a director of Beijing Capital Co., Ltd. (SHSE Stock Code: 600008) since September 2013, a non-executive director of Juda International Holdings Limited (Stock Code: 1329) since December 2013 and Beijing Urban Construction Design & Development Group Co., Limited (Stock Code: 1599) since November 2014. Mr. Wang obtained his Master degree in Engineering from Fuxin Mining Institute, Liaoning in 1994, and a Doctoral degree in Economics at School of Economics of Peking University in 2006.

Song Fengjing (宋豐景), aged 50, has been appointed as a non-executive Director of the Company since December 2014. Mr. Song is currently a senior economist. From August 1991 to February 1995, Mr. Song served as researcher, senior researcher and deputy director in the Research Office of Beijing Municipal Labour Bureau. From February 1995 to May 1999, Mr. Song served as the director of the Employment Management Office of Beijing Municipal Labour Bureau. From May 1999 to May 2000, he served as the director of Employment Management Office and the director of Unemployment Management Office of Beijing Municipal Labour and Social Security Bureau successively. From May 2000 to October 2000, Mr. Song was appointed as the director of the Employment Service Centre of Beijing. From October 2000 to March 2009, Mr. Song was the deputy director of the Beijing Municipal Labour and Social Security Bureau. From March 2009 to January 2013, Mr. Song was the deputy director of Beijing Municipal Human Resource and Social Security Bureau. From January 2013 to present, he has been a director of Capital Group. Mr. Song obtained a Master degree in Economics in 1991 and a Doctoral degree in Economics in 2006 from Beijing Normal University.

Shen Jianping (沈建平), aged 58, 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 Capital Group as the general manager officer and director. Prior to his appointment with 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 served as a director of Beijing Capital Co., Ltd (SHSE Stock Code: 600008) from December 2011 to September 2013. He has been appointed as an executive director of Capital Environment Holdings Limited (Stock Code: 3989) since August 2014. Mr. Shen obtained his Master degree from Peking University in 1985.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ng Yuk Keung (吳育強), aged 50, has been appointed as an independent non-executive Director of the Company since December 2008. Mr. Ng is an Executive Director and the chief financial officer of Kingsoft Corporation Limited (Stock Code: 3888) since March 2013 and a director of Cheetah Mobile Inc. which was listed on New York Stock Exchange (NYSE: CMCN) since May 2014. 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 was 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 was an independent non-executive director of Winsway Enterprises 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 an executive director and the chief financial officer of China NT Pharma Group Company Limited (Stock Code: 1011) from March 2010 to June 2012. 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 50, 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 Centre (Singapore) of East Asiatic Company Ltd. From 2000 to 2002, Mr. Wang was an associate professor of Institute of Real Estate Studies, School of Civil Engineering, Tsinghua University. 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. (SZSE Stock Code: 000038). Mr. Wang obtained his Bachelor degree in Architecture from Tianjin University in 1985, Master degree in Architectural Design from Tsinghua University in 1989, and Master degree in Real Estate Development from Massachusetts Institute of Technology (MIT) in 1993.

Li Wang (李旺), aged 51, has been appointed as an independent non-executive director of the Company since December 2014. Mr. Li is a professor and a mentor for doctoral students in the School of Law of Tsinghua University, and a director of both Beijing Law Research Society and Chinese Society of International Law. From April 1993 to March 1994, Mr. Li has served as an assistant lecturer in the School of Law of Kyoto University in Japan. Mr. Li has been a lawyer in Sakamoto Law Firm in Japan, Oh-Ebashi LPC & Partners in Japan and J&R Law Firm in Beijing since April 1994 to November 1997 successively. Since November 1997 to present, Mr. Li has been a lecturer, associate professor and a mentor for doctoral students in the School of Law of Tsinghua University. Mr. Li has also been a lawyer in the TCHHF Law Firm in Beijing since October 2000. Mr. Li obtained his Bachelor degree in Laws from China University of Political Science and Law in 1986, Master degree in Laws from Kyoto University in Japan in 1990, and Doctor degree in Laws from Kyoto Sangyo University in Japan in 2005.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Liu Yongzheng (劉永政), aged 46, has been appointed as a supervisor of the Company since December 2011. Mr. Liu 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 successively. Mr. Liu joined 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 successively. Mr. Liu has served as the deputy general manager of Capital Group, as well as the General Counsel and general manager of Legal Department since September 2011. Mr. Liu obtained a Bachelor degree in Economic Law from Renmin University of China in 1990, and a Master degree in Laws from Temple University of the United States in 2001.

Fan Shubin (范書斌), aged 46, has been appointed as a supervisor of the Company since December 2011. Mr. Fan 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. (SHSE Stock Code: 600008) from May 2002 to January 2010. He joined 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 45, has been appointed as a supervisor of the Company since December 2011. Mr. Jiang served as a project budget engineer of Beijing Central Iron & Steel Research Institute, a senior supervisor of the Planning and Consultation Department of China Energy Conservation Investment Corporation, and a budget engineer of Beijing Sunshine Real Estate Development Comprehensive Development Company from 1993 to 2002. He joined the Company in December 2002 and served as a tendering supervisor of the Department of Operation Management, a contractual budget manager, assistant to general manager and deputy general manager of Beijing Anhua Shiji Real Estate Development Company Limited, and a senior professional manager and the general manager of the Cost Control Center successively. Mr. Jiang has served as the general manager of the Risk Control Center of the Company from January 2011 to July 2014. Mr. Jiang is the general manager of the Strategic Procurement Center of the Company since July 2014. Mr. Jiang obtained a Bachelor degree in Works Pricing Management from Jiangxi University of Science and Technology in 1993 and obtained a Master degree in Management Science and Engineering from the Graduate University of Chinese Academy of Sciences in 2007.

SECRETARY OF THE BOARD OF DIRECTORS

Hu Weimin (胡衛民), aged 50, has been appointed as a secretary of the Board of Directors since August 2007 and a vice president of the Company since December 2008. Starting from 1988, Mr. Hu had served in Beijing Shougang Corporation, China Shougang International Trade & Engineering Corp. and Beijing Certified Public Accountants Co. Ltd. successively, mainly engaged in technological management, investment management and investment consultancy. He joined Capital Group in 1999 as the manager of the 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 Sze Wai (李斯維), aged 32, has been appointed as the company secretary of the Company since November 2014. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants. From February 2010 to August 2011, he served as the financial controller and the company secretary of Greenfield Chemical Holdings Limited (Stock Code: 582). From August 2011 to November 2014, he worked with Allied Group Limited (Stock Code: 373) as an assistant company secretary. He was the company secretary of Allied Overseas Limited (Stock Code: 593) from March 2012 to January 2014. Mr. Lee obtained his Bachelor degree in Economics and Finance from the University of Hong Kong in 2004.

SENIOR MANAGEMENT

Zhang Fuxiang (張馥香), aged 53, has been appointed as a vice president of the Company since March 2006. Ms. Zhang has been serving as financial manager, financial controller and supervisor of Yang Guang Co., Ltd. (SZSE Stock Code: 000608) and Beijing Sunshine Real Estate Comprehensive Development Company, respectively, since 2000. Ms. Zhang served as the chief financial officer of the Company from December 2002 to January 2007. Ms. Zhang obtained her Bachelor degree in Economics from the Finance and Accounting Department of the People's University of China in 1985.

Luo Jun (羅俊), aged 42, has been appointed as a vice president of the Company since December 2011. Mr. Luo has acted as the general manager of the Finance Department of the Company from October 2003 to January 2007. He was appointed as the chief financial officer of the Company in February 2007. 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 degree in Economics in 1993 and Master degree in Economics in 1996.

He Xi (賀喜), aged 41, has been appointed as a vice president of the Company since June 2014. From August 1995 to September 2000, Mr. He worked with the Real Estate Management and Development Corporation of Haidian District, Beijing (北京市海淀區房地產經營開發總公司). From September 2000 to December 2003, Mr. He was appointed as the manager of Project Development and Management Department and the manager of Business Planning Department of Beijing Haikai Real Estate Group Company (北京海開房地產集團公司) successively. From January 2004 to July 2004, he worked with Beijing Zhongkun Real Estate Group (中坤地產集團) as a deputy general manager. Mr. He Xi joined the Company in August 2004 and was appointed as an executive general manager of Tianjin New Century Real Estate Development Limited, and a deputy general manager and the general manager of Beijing Capital (Tianjin) Land Ltd. (首創(天津)置業有限公司) successively. Mr. He obtained his Bachelor degree in Economics from Renmin University of China in 1995, and his MBA degree from Guanghua School of Management of Peking University in 2001.

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 2014.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2014, prepared in accordance with China Accounting Standards for Business Enterprises and its financial position as at the same date are set out on pages 87 to 94 of the annual report.

DIVIDENDS

At a Board meeting held on 9 February 2015, the directors proposed a 2014 final dividend of RMB0.25 per share (2013: RMB0.22 per share) payable to the shareholders of the Company whose name appear on the register of member of the Company on Wednesday, 15 April 2015. Based on the Company's total issued number of shares of 2,027,960,000 on the same day, the total amount payable will be approximately RMB506,990,000. 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 2014.

CLOSURE OF REGISTER OF MEMBERS

(a) 2014 Annual General Meeting

The register of members will be closed from Tuesday, 24 March 2015 to Tuesday, 31 March 2015, 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 Monday, 23 March 2015.

(b) Proposed Final Dividend

The register of members will be closed from Friday, 10 April 2015 to Wednesday, 15 April 2015, 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 Thursday, 9 April 2015. 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 2015.

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 2014 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, 15 April 2015. Such non-resident enterprises shall include HKSCC Nominees Limited.

DIRECTORS' REPORT

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(33), 5(34) and 15(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 30.60% of goods and services from its five largest suppliers and sold less than 2.80% of its goods and services to its five largest customers. The Group's revenue from the largest customer accounted for less than 1.75% of the total revenue and purchased less than 13.50% 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(13) to the consolidated financial statements.

PRINCIPAL PROPERTIES

The summary of principal properties owned by the Group is set out on pages 8 to 15 of the annual 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 and 14 March 2014 respectively. 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 2014, the Scheme had through the trustee purchased 15,300,000 H shares, representing 1.5% of H shares and 0.75% 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 Shengli (re-designated as executive director on 5 December 2014)

Mr. Zhang Juxing (retired on 4 December 2014)

Non-executive Directors

Mr. Wang Hao

Mr. Song Fengjian (appointed on 5 December 2014)

Mr. Shen Jianping

Independent Non-executive Directors

Mr. Ng Yuk Keung

Mr. Wang Hong

Mr. Li Wang (appointed on 5 December 2014)

Mr. Li Zhaojie (retired on 4 December 2014)

Supervisors

Mr. Liu Yongzheng

Mr. Fan Shubin

Mr. Jiang Hebin

The biographical details of directors, supervisors and senior management are set out on pages 60 to 64 of the annual report.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER EMOLUMENTS

Details of directors, supervisors and chief executive officer emoluments are set out in note 8(5)(j) 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 2014, 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.

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the year and up to the date of this report, the Company and Juda International Holdings Limited ("Juda International"), an indirect non-wholly owned subsidiary of the Company, had entered into a non-competition deed, in which the Group (other than Juda International and its subsidiaries) undertook that they shall not engage in property business in any of the selected cities in the PRC. Accordingly, none of the directors or supervisors or management 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").

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 2014 Interim Report is set out below:

Mr. Wang Hao, non executive director of the Company, has appointed as a non-executive director of Beijing Urban Construction Design & Development Group Co., Ltd (Stock Code: 1599) since November 2014.

SHARE CAPITAL

As at 31 December 2014, 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%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2014, 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
Beijing Capital Group Co., Ltd. ("Capital Group")	924,441,900 ⁽¹⁾	Non-listed Shares	64.46 (long position)	27.33 (long position)	91.78	32.01 (long position)	13.57 (long position)	45.58
Beijing Sunshine Real Estate Comprehensive Development Company	275,236,200 ⁽²⁾	Non-listed Shares	–	27.33 (long position)	27.33	–	13.57 (long position)	13.57

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
Beijing Capital Sunshine Real Estate Development Co., Ltd.	275,236,200 ⁽⁶⁾	Non-listed Shares	–	27.33 (long position)	27.33	–	13.57 (long position)	13.57
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
Flexi 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
Recosia China Pte Ltd	165,070,000 ⁽⁷⁾	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
Recosia Pte Ltd.	165,070,000 ⁽⁸⁾	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
Government of Singapore Investment Corporation (Realty) Pte Ltd.	165,070,000 ⁽⁹⁾	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
Templeton Asset Management Limited	101,470,000	H Shares	9.94 (long position)	–	9.94	5.00 (long position)	–	5.00

Notes:

- Of these 924,441,900 Shares, 649,205,700 Shares are directly held by Capital Group, the remaining 275,236,200 Shares are deemed corporate interests under the SFO indirectly held through Beijing Sunshine Real Estate Comprehensive Development Company, Beijing Capital Sunshine Real Estate Development Co., Ltd. and China Resource Products Limited.
- 275,236,200 Shares are deemed corporate interests under the SFO indirectly held through Beijing Capital Sunshine Real Estate Development Co., Ltd. and China Resource Products Limited.
- 275,326,200 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 Flexi Holdings Limited.
- 82,762,100 Shares are deemed corporate interests under the SFO indirectly held through Yieldwell International Enterprise Limited, Flexi Holdings Limited and Brocade City Holdings Limited.

DIRECTORS' REPORT

7. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited.
8. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited and Recosia China Pte Ltd.
9. 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.

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 2014, 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.

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2014, the Group had no entrusted deposits and overdue time deposits.

EMPLOYEES

As at 31 December 2014, the Group had 1,727 staff. Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include provident fund schemes, medical insurance scheme, unemployment insurance scheme and housing provident fund.

The Group has also adopted the Long Term Incentive Fund Scheme (the "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 of the Scheme of the Company dated 7 September 2007 and passed in the Extraordinary General Meeting held on 27 September 2007, The 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. The Scheme has further amended in 2014, details of which have been disclosed in the circular dated 13 February 2014 and approved in the Annual General Meeting held on 14 March 2014.

STAFF HOUSING QUARTERS

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

CONNECTED AND RELATED PARTY TRANSACTIONS

On 28 January 2014, the Group agreed to dispose of 100% equity interest in its subsidiary, Bantex Investments Limited, therefore disposed of 50% of equity interest in its subsidiary, Beijing Tian Cheng Yong Yuan Zhi Ye Limited (北京天城永元置業有限公司) to Reco Yanshan Private Limited, an associate of Reco Ziyang Pte Ltd. ("Reco Ziyang", being a substantial shareholder of various non wholly-owned subsidiaries of the Company and therefore a connected person of the Company). For a consideration of HKD1.00 plus a shareholder's loan amounting approximately RMB998,554,500 and its financial cost until the payment date. Details of which have been disclosed in the announcement dated 28 January 2014 and the circular dated 28 February 2014. Relevant related party transaction has been disclosed in note 8(4)(h) to the consolidated financial statements.

On 15 August 2014, the Group agreed to acquire 60% of equity interests in Xi'an Capital Xin Kai Real Estate Ltd. (西安首創新開置業有限公司) from Reco Ziyang for a consideration of approximately RMB937,600,000. Details of which have been disclosed in the announcement dated 15 August 2014. Relevant related party transaction has been disclosed in note 8(4)(i) to the consolidated financial statements.

DIRECTORS' REPORT

On 18 September 2014, the Group and Beijing Capital Investment Limited (首創投資發展有限公司) (a wholly-owned subsidiary of Beijing Capital Group Co., Ltd, which is a controlling shareholder of the Company) agreed to make an aggregate capital contribution of no more than RMB900,000,000 to the registered capital of Beijing Linjin Property Limited (北京鑾金置業有限責任公司) ("Beijing Linjin") in proportion to their percentage shareholding in Beijing Linjin of 40% and 60% respectively. Beijing Linjin is therefore an associate of Beijing Capital Group Co., Ltd and a connected person of the Company. Details of which have been disclosed in the announcement dated 18 September 2014 and the circular dated 10 October 2014.

On 4 November 2014, the Group agreed to acquire 50% equity interest in Chongqing Xinshi Real Estate Development Co., Ltd. (重慶首創新石置業有限公司) and 45% equity interest in Tianjin Banshan Renjia Real Estate Co., Ltd. (天津伴山人家置業有限公司) from Reco Ziyang with consideration of approximately RMB581,740,000 and RMB224,620,000 respectively. Details of which have been disclosed in the announcement dated 4 November 2014 and the circular dated 27 November 2014. Relevant related party transaction has been disclosed in note 8(4)(j) to the consolidated financial statements.

Abovementioned connected transactions have complied the relevant rules under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

LONG-TERM BORROWINGS

Details of the long-term borrowings of the Group are set out in note 5(28) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Details of the Company's significant subsidiaries are set out in note 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 84.

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 of the Company for the year ended 31 December 2014 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 2015

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 Listing Rules in the year ended 31 December 2014.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

BOARD OF DIRECTORS

The Board comprises 9 Directors, including three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors; the profile of each Director is set out on pages 60 to 64 under the section of Biographical Details of Directors, Supervisors and Senior Management. More than 50% of the Directors are non-executive directors and independent of the management, thereby promoting critical review and control of the management process. The non-executive directors also bring a wide range of business and financial expertise to the Board, which contribute to the effective stewardship of the Group.

CORPORATE GOVERNANCE REPORT

The Board held four physical Board meetings in 2014. 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 2014:

	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 Shengli (re-designated as executive director on 5 December 2014)	4/4
Mr. Zhang Juxing (retired on 4 December 2014)	3/3
<i>Non-executive Directors</i>	
Mr. Wang Hao	4/4
Mr. Song Fengjian (appointed on 5 December 2014)	1/1
Mr. Shen Jianping	4/4
<i>Independent Non-executive Directors</i>	
Mr. Ng Yuk Keung	4/4
Mr. Wang Hong	4/4
Mr. Li Wang (appointed on 5 December 2014)	1/1
Mr. Li Zhaojie (retired on 4 December 2014)	3/3

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.

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;

CORPORATE GOVERNANCE REPORT

3. formulation of plans for the increase or reduction of registered capital of the Company or repurchase of shares;
 4. formulation of plans for the increase of share capital and issue of additional shares;
 5. formulation of proposals for the merger, separation and dismissal of the Company;
 6. tendering insolvency petition of the Company;
 7. formulation of amendment proposal to the Company's articles of association (the "Article");
 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.

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;

CORPORATE GOVERNANCE REPORT

3. appointment or dismissal of the general manager, secretary to the Board, or the appointment or dismissal of the deputy general manager or responsible person for financial matters of the Company pursuant to recommendation of the general manager;
4. evaluation of the work performance of the general manager;
5. approval of the appointment of representatives of the shareholders to the subsidiaries or associates of the Company and nomination of directors, supervisors and responsible persons for financial matters to such companies pursuant to their articles of association or the relevant agreements;
6. approval of the plan of staff provident fund and other staff benefit plans.

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

- (1) supervision of the implementation of the Company's development strategy;
- (2) supervision and inspection of the implementation of annual budgets and accounts of the Company; inspection of the progress of various plans;
- (3) assessment of the operating results of the Company to identify operating problems, propose recommendations accordingly and supervision of the implementation by the Company's senior officers;
- (4) assessment of the operation improvement plans and implementation status of the Company and identify significant problems reflected from the operating results;
- (5) identifying 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 2014, 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.

CORPORATE GOVERNANCE REPORT

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 2014, the Board at all times complied the minimum requirements of the Listing Rules relating to the appointment of at least one-third of independent non-executive directors and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise.

The interests in the Company's securities held by Directors as at 31 December 2014 are disclosed in the Directors' Report on page 68 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 May 2014 to update the Directors on certain amendments to the Listing Rules. Also, briefings on the directors' duties were given to the newly appointed Directors.

CORPORATE GOVERNANCE REPORT

During the year 2014, the Directors also participated in the following trainings:

	Types of training
<hr/>	
<i>Executive Directors</i>	
Mr. Liu Xiaoguang (<i>Chairman</i>)	A/B/C
Mr. Tang Jun (<i>President</i>)	A/C
Mr. Zhang Shengli (re-designated as executive director on 5 December 2014)	A/C
Mr. Zhang Juxing (retired on 4 December 2014)	A/C
 <i>Non-executive Directors</i>	
Mr. Wang Hao	A/C
Mr. Song Fengjian (appointed on 5 December 2014)	A/C
Mr. Shen Jianping	A/C
 <i>Independent Non-executive Directors</i>	
Mr. Ng Yuk Keung	A/C
Mr. Wang Hong	A/C
Mr. Li Wang (appointed on 5 December 2014)	A/C
Mr. Li Zhaojie (retired on 4 December 2014)	A/C
<hr/>	

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CHAIRMAN AND PRESIDENT

The Chairman and President are held separately by Mr. 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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

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

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

During the year under review, the Audit Committee held a total of two meetings. In the meetings, the Audit Committee reviewed the financial statements for the year ended 31 December 2013 and for the six months ended 30 June 2014, considered and approved the work of the auditors, reviewed the business and financial performance of the Company and made recommendation to the board.

Attendance of individual members at Audit Committee meetings in 2014:

	Number of Attendance/ Number of Meeting
Mr. Ng Yuk Keung	2/2
Mr. Wang Hong	2/2
Mr. Li Wang (appointed on 5 December 2014)	1/1
Mr. Li Zhaojie (retired on 4 December 2014)	1/1

The Group's results for the year ended 31 December 2014 have been reviewed by the Audit Committee with a recommendation to the Board for approval.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

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

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

During the year under review, the Nomination Committee held 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 re-designation of Mr. Zhang Shengli as an executive directors, the appointment of Mr. Song Fengjing as a non-executive director and Mr. Li Wang as an independent 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 2014:

	Number of Attendance/ Number of Meeting
Mr. Liu Xiaoguang	2/2
Mr. Ng Yuk Keung	2/2
Mr. Wang Hong (appointed on 5 December 2014)	1/1
Mr. Li Zhaojie (retired on 4 December 2014)	1/1

REMUNERATION COMMITTEE

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

During the year under review, the Remuneration Committee held one meeting to review the remuneration of the re-elected, re-designated and newly appointed directors, 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.

CORPORATE GOVERNANCE REPORT

Attendance of individual members at Remuneration Committee meeting in 2014:

	Number of Attendance/ Number of Meeting
Mr. Wang Hong (appointed on 5 December 2014)	1/1
Mr. Wang Hao	2/2
Mr. Ng Yuk Keung	2/2
Mr. Li Zhaojie (retired on 4 December 2014)	1/1

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

1. Policy

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

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

2. Non-executive Directors and Supervisors

Principle for Determining Remuneration

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

3. Executive Directors

Components of Remuneration

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

CORPORATE GOVERNANCE REPORT

(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 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:

- review of the effectiveness of the internal controls and risk management systems of the Company.

CORPORATE GOVERNANCE REPORT

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 2014. 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.

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 service fee payable to the Independent Auditor PricewaterhouseCoopers Zhong Tian LLP, and other PwC Firms, and other audit firms for the year ended 31 December 2014 are set out below:

	RMB'000
PricewaterhouseCoopers Zhong Tian LLP and other PwC Firms	
– Audit and review services for the Group	7,315
– Reporting accountant service for certain capital market transactions	1,924
– Other non-audit service	224
Other audit firms for the audit and audit related service	4,024

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHT

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

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

CORPORATE GOVERNANCE REPORT

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 regards annual general meeting ("AGM") as an important event in the corporate year and all Directors and senior management should make an effort to attend. The Company's AGM allows the Directors to meet and communicate with shareholders. 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. The 2013 AGM was held on 14 March 2014. During the year, the Company held 5 Extraordinary General Meetings. The attendance records of the Directors at the general meetings are set out below:

	AGM and EGM attended/held
<hr/>	
<i>Executive Directors</i>	
Mr. Liu Xiaoguang (<i>Chairman</i>)	1/6
Mr. Tang Jun (<i>President</i>)	6/6
Mr. Zhang Shengli (re-designated as executive director on 5 December 2014)	0/6
Mr. Zhang Juxing (retired on 4 December 2014)	0/4
 <i>Non-executive Directors</i>	
Mr. Wang Hao	0/6
Mr. Song Fengjian (appointed on 5 December 2014)	0/2
Mr. Shen Jianping	0/6
 <i>Independent Non-executive Directors</i>	
Mr. Ng Yuk Keung	1/6
Mr. Wang Hong	1/6
Mr. Li Wang (appointed on 5 December 2014)	0/2
Mr. Li Zhaojie (retired on 4 December 2014)	0/4
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CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Articles of Association during the financial year 2014. 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.

CORPORATE GOVERNANCE REPORT

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

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

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

For the year ended 31 December 2014, the Group participated in the following activities:

- 281 one-on-one investor meetings
- 11 corporate conferences
- 8 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 2015

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year ended 31 December 2014, 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 2014 and has great confidence in the future of the Company.

By order of the Supervisory Committee

Liu Yongzheng

Chairman

Beijing, the PRC, 9 February 2015

AUDITOR'S REPORT

PwC ZT Shen Zi (2015) 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 2014, and the consolidated and company income statements, the consolidated and company statements of changes in owners' 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 2014, 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 2015

CONSOLIDATED AND COMPANY BALANCE SHEET

As at 31 December 2014 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	31 December 2014 Consolidated	31 December 2013 Consolidated (Restated)	1 January 2013 Consolidated (Restated)	31 December 2014 Company	31 December 2013 Company (Restated)	1 January 2013 Company (Restated)
Current assets							
Cash at bank and on hand	5(1); 15(1)	13,897,026	11,339,807	8,514,791	2,512,139	800,899	400,751
Financial assets at fair value through profit or loss	5(2)	162,863	43,728	-	-	-	-
Notes receivable		4,113	1,714	-	-	-	-
Accounts receivable	5(3)(a); 15(2)(a)	946,333	486,714	34,876	160	160	160
Advances to suppliers	5(4)	230,710	133,999	85,017	28,830	4,460	234
Interest receivable		3,564	3,893	545	-	-	-
Dividends receivable	5(5); 15(4)	9,825	97,247	97,247	-	12,400	12,400
Other receivables	5(3)(b); 15(2)(b)	1,295,407	3,326,858	2,290,597	24,894,317	15,157,523	12,079,717
Inventories	5(6); 15(3)	48,768,112	29,646,484	22,960,190	44,076	44,076	44,076
Current portion of non-current assets	5(15)	-	768,512	-	-	-	-
Assets classified as held for sale	5(7)	202,664	1,902,313	2,863,803	-	-	-
Other current assets	5(8)	1,823,749	1,130,762	971,513	-	-	-
Total current assets		67,344,366	48,882,031	37,818,579	27,479,522	16,019,518	12,537,338
Non-current assets							
Available-for-sale financial assets	5(9); 15(5)	63,420	149,258	200,653	63,420	149,258	162,583
Long-term receivables	5(15); 15(6)	562,024	292,380	1,290,805	308,227	292,380	412,565
Long-term equity investments	5(10); 15(7)	2,451,235	2,283,797	1,699,896	3,876,495	3,754,967	3,063,147
Investment properties	5(12); 15(8)	7,225,258	3,488,709	5,674,242	1,958	1,958	1,958
Fixed assets	5(13); 15(9)	439,465	503,635	466,656	59,951	64,285	68,343
Intangible assets	5(14)	39,561	52,017	41,651	-	-	-
Goodwill	5(16)	172,137	172,137	-	-	-	-
Long-term prepaid expenses		79,236	43,451	1,626	-	-	-
Deferred tax assets	5(31)(c); 15(13)	302,854	323,273	280,980	42,755	42,844	32,609
Other non-current assets		-	-	61,400	-	-	61,400
Total non-current assets		11,335,190	7,308,657	9,717,909	4,352,806	4,305,692	3,802,605
TOTAL ASSETS		78,679,556	56,190,688	47,536,488	31,832,328	20,325,210	16,339,943
Current liabilities							
Short-term borrowings	5(19)	5,660,075	1,374,915	540,600	600,000	-	-
Notes payable		43,845	35,734	16,300	-	-	-
Accounts payable	5(20); 15(10)	4,049,518	3,803,396	3,623,716	17,371	16,282	10,783
Advances from customers	5(21)	11,619,971	7,001,853	7,729,216	807	807	807
Employee benefits payable	5(22)	209,795	137,911	144,427	129,154	82,577	98,076
Taxes payable	5(23); 15(14)	2,482,591	2,519,036	1,943,353	2,010	50,638	33,943
Interest payable		170,041	105,161	108,587	23,491	29,229	22,330
Dividends payable	5(24)	1,055,671	288,527	430,895	-	-	132,627
Other payables	5(25); 15(11)	2,554,107	3,583,466	1,789,841	20,432,695	10,925,860	6,139,692
Current portion of non-current liabilities	5(26)	5,919,603	6,737,436	2,940,840	-	997,755	1,059,000
Liabilities classified as held for sale	5(27)	49,169	877,972	1,980,344	-	-	-
Other current liabilities		-	-	574,722	-	-	-
Total current liabilities		33,814,386	26,465,407	21,822,841	21,205,528	12,103,148	7,497,258

CONSOLIDATED AND COMPANY BALANCE SHEET

As at 31 December 2014 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	31 December 2014 Consolidated	31 December 2013 Consolidated (Restated)	1 January 2013 Consolidated (Restated)	31 December 2014 Company	31 December 2013 Company (Restated)	1 January 2013 Company (Restated)
Non-current liabilities							
Long-term borrowings	5(28); 15(12)	17,731,362	10,739,313	10,968,893	5,910,000	3,210,000	2,468,000
Debentures payable	5(29)	3,217,112	1,977,532	4,108,020	-	-	994,716
Long-term payables	5(30)	1,530,000	-	-	-	-	-
Deferred tax liabilities	5(31)(c); 15(13)(c)	969,718	779,952	633,723	-	-	-
Financial derivative liabilities	5(17)	3,452	-	-	-	-	-
Total non-current liabilities		23,451,644	13,496,797	15,710,636	5,910,000	3,210,000	3,462,716
Total liabilities		57,266,030	39,962,204	37,533,477	27,115,528	15,313,148	10,959,974
Owners' equity							
Paid-in capital	5(32)	2,027,960	2,027,960	2,027,960	2,027,960	2,027,960	2,027,960
Capital surplus	5(33); 15(15)	706,109	832,450	830,472	1,279,308	1,279,308	1,279,308
Other comprehensive income	5(47); 15(16)	581,134	1,285,991	1,394,322	5,819	43,530	53,523
Surplus reserve	5(34)	360,628	341,768	341,768	360,628	341,768	341,768
Undistributed profits	5(35)	5,444,301	4,219,571	3,022,039	1,043,085	1,319,496	1,677,410
Total equity attributable to equity holders of the Company		9,120,132	8,707,740	7,616,561	4,716,800	5,012,062	5,379,969
Non-controlling interest		12,293,394	7,520,744	2,386,450	-	-	-
Total owners' equity		21,413,526	16,228,484	10,003,011	4,716,800	5,012,062	5,379,969
TOTAL LIABILITIES AND OWNERS' EQUITY		78,679,556	56,190,688	47,536,488	31,832,328	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 2014 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	2014 Consolidated	2013 Consolidated	2014 Company	2013 Company
Revenue	5(36); 15(17)	10,057,967	11,320,840	57,137	125,644
Less: Cost of sales	5(36); 15(17)	(7,056,525)	(7,555,512)	-	-
Taxes and surcharges	5(37)	(645,409)	(1,069,222)	(11,263)	(16,718)
Selling and distribution expenses	5(38)	(432,796)	(342,544)	-	-
General and administrative expenses	5(38)	(385,908)	(347,545)	(178,094)	(146,278)
Financial income/(expenses) – net	5(39); 15(18)	133,337	(271,730)	(234,725)	(12,826)
Asset impairment losses	5(40)	(323,293)	-	-	-
Add: Gains arising from changes in fair value	5(43)	286,143	489,752	-	-
Investment income	5(44); 15(19)	1,241,760	202,514	571,500	10,951
Including: Share of profit/(loss) of joint ventures and associates		369,592	99,153	259,165	(9,091)
Operating profit		2,875,276	2,426,553	204,555	(39,227)
Add: Non-operating income	5(41)	115,889	256,023	170	-
Including: Gains on disposal of non-current assets		667	35	-	-
Less: Non-operating expenses	5(42)	(44,984)	(58,384)	(200)	(268)
Including: Losses on disposal of non-current assets		-	(5)	-	-
Total profit		2,946,181	2,624,192	204,525	(39,495)
Less: Income tax expenses	5(45); 15(20)	(682,452)	(710,469)	(15,925)	6,055
Net profit		2,263,729	1,913,723	188,600	(33,440)
Attributable to equity holders of the Company		1,689,741	1,522,006	N/A	N/A
Non-controlling interest		573,988	391,717	N/A	N/A
Other comprehensive income for the year, net of tax		(704,857)	(108,331)	(37,711)	(9,993)
Items that may be reclassified to profit or loss		(704,857)	(108,331)	(37,711)	(9,993)
– Changes in fair value of available-for-sale financial assets		(37,711)	(9,993)	(37,711)	(9,993)
– Increase in fair value due to transfer from inventory to investment property		-	9,998	-	-
– Recycling of changes in fair value of investment properties previously recognized in other comprehensive income		(669,720)	(94,029)	-	-
– Currency translation differences		3,141	7,668	-	-
– Cash flow hedges		(567)	-	-	-
– Others		-	(21,975)	-	-
Total comprehensive income for the year		1,558,872	1,805,392	150,889	(43,433)
Attributable to:		984,884	1,413,675	N/A	N/A
– Owners of the company		573,988	391,717	N/A	N/A
– Non-controlling interests		410,896	1,021,958	N/A	N/A
Earnings per share for profit attributable to the equity holders of the Company	5(46)				
– Basic earnings per share (RMB Yuan)		0.83	0.75	N/A	N/A
– Diluted earnings per share (RMB Yuan)		0.83	0.75	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 2014 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	2014 Consolidated	2013 Consolidated	2014 Company	2013 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		11,883,624	11,035,257	57,137	125,644
Cash received relating to other operating activities		1,214,186	1,709,636	4,087,852	4,701,287
Sub-total of cash inflows		13,097,810	12,744,893	4,144,989	4,826,931
Cash paid for goods and services		(22,409,732)	(14,988,445)	(16,409)	-
Cash paid to and on behalf of employees		(406,035)	(322,281)	(46,433)	(71,717)
Payments of taxes and surcharges		(2,003,010)	(1,200,281)	(84,512)	(4,836)
Cash paid relating to other operating activities		(721,182)	(691,806)	(3,983,837)	(3,606,331)
Sub-total of cash outflows		(25,539,959)	(17,202,813)	(4,131,191)	(3,682,884)
Net cash flows from operating activities	5(48); 15(21)	(12,442,149)	(4,457,920)	13,798	1,144,047
Cash flows from investing activities					
Cash received from disposal of investments		198,526	48,163	198,526	-
Cash received from returns on investments		267,119	772	291,100	772
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,211	145,598	104	-
Cash received from disposal of subsidiaries		328,891	914,889	240,000	82,010
Cash received from disposal of associates		20,000	-	-	-
Cash received relating to other investing activities	5(48)(d)	3,248,555	1,152,052	194,587	906,503
Sub-total of cash inflows		4,076,302	2,261,474	924,317	989,285
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(748,818)	(546,662)	(1,216)	(1,140)
Cash paid to acquire investments		(1,005,253)	(429,520)	(231,530)	(539,520)
Net cash paid for disposal of subsidiaries		-	(271,487)	-	-
Net cash paid to acquire subsidiaries and other business units	4(2)	(905,512)	(277,271)	-	(180,000)
Cash paid relating to other investing activities		(331,219)	(364,265)	(919,961)	-
Sub-total of cash outflows		(2,990,802)	(1,889,205)	(1,152,707)	(720,660)
Net cash flows from investing activities		1,085,500	372,269	(228,390)	268,625

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	2014 Consolidated	2013 Consolidated	2014 Company	2013 Company
Cash flows from financing activities					
Cash received from capital contributions		4,878,222	4,449,439	-	-
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries		-	2,000	-	-
Cash received from senior perpetual securities issued by subsidiaries	4(3)	2,728,222	2,437,439	-	-
Cash received from specific asset management plan	4(3)	2,150,000	2,010,000	-	-
Cash received from borrowings		19,028,701	10,809,402	3,790,000	3,210,000
Proceeds from disposal of shares of subsidiaries and non-controlling shareholders	4(5)	1,049,087	892,717	-	-
Cash received from other financing activities		1,530,000	-	470,092	-
Sub-total of cash inflows		26,486,010	16,151,558	4,260,092	3,210,000
Cash repayments of borrowings		(11,132,722)	(7,439,140)	(1,490,000)	(3,527,000)
Cash payments for interest expenses and distribution of dividends or profits		(2,885,824)	(2,033,359)	(839,855)	(691,765)
Cash paid for purchasing share in subsidiaries from non-controlling shareholders	4(5)	(811,252)	(161,267)	-	-
Sub-total of cash outflows		(14,829,798)	(9,633,766)	(2,329,855)	(4,218,765)
Net cash flows from financing activities		11,656,212	6,517,792	1,930,237	(1,008,765)
Effect of foreign exchange rate changes on cash		(28,068)	(20,755)	(4,405)	(3,759)
Net increase in cash	5(48)(b); 15(21)(b))	271,495	2,411,386	1,711,240	400,148
Add: Cash at beginning of year	5(48)(b); 15(21)(b)	10,487,655	8,076,269	800,899	400,751
Cash at end of year	5(48)(b); 15(21)(c)	10,759,150	10,487,655	2,512,139	800,899

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 2014 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Attributable to equity holders of the Company					Non-controlling interest	Total owners' equity
		Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits		
Balance at 31 December 2012		2,027,960	2,226,409	(1,615)	341,768	3,022,039	2,386,450	10,003,011
Changes in accounting policies	2 (33)	-	(1,395,937)	1,395,937	-	-	-	-
Balance at 1 January 2013		2,027,960	830,472	1,394,322	341,768	3,022,039	2,386,450	10,003,011
Movement for the year end								
31 December 2013								
Comprehensive income								
Net profit		-	-	-	-	1,522,006	391,717	1,913,723
Other comprehensive losses		-	-	(108,331)	-	-	-	(108,331)
Total comprehensive (losses)/income		-	-	(108,331)	-	1,522,006	391,717	1,805,392
Capital contribution and withdrawal								
by owners, including-								
Capital contribution by owners		-	-	-	-	-	2,000	2,000
Equity transaction with the Non-controlling		-	1,978	-	-	-	352,268	354,246
Senior perpetual bonds issued by subsidiary	4(3)(2)	-	-	-	-	-	2,333,945	2,333,945
Investment absorbed from specific capital management plan issued by subsidiary	4(3)(2)	-	-	-	-	-	2,010,000	2,010,000
Others		-	-	-	-	-	73,132	73,132
Profit distribution to equity owners	5(35)	-	-	-	-	(324,474)	(28,768)	(353,242)
Balance at 31 December 2013		2,027,960	832,450	1,285,991	341,768	4,219,571	7,520,744	16,228,484

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2014 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Attributable to equity holders of the Company					Non-controlling interest	Total owners' equity
		Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits		
Balance at 1 January 2014		2,027,960	832,450	1,285,991	341,768	4,219,571	7,520,744	16,228,484
Movement for the year end								
31 December 2014								
Comprehensive income								
Net profit		-	-	-	-	1,689,741	573,988	2,263,729
Other comprehensive losses		-	-	(704,857)	-	-	-	(704,857)
Total		-	-	(704,857)	-	1,689,741	573,988	1,558,872
Capital contribution and withdrawal by owners, including-								
Equity transaction with								
Non-controlling interest	4(5)	-	(126,341)	-	-	-	364,176	237,835
Senior perpetual bonds issued by subsidiaries	4(3)(2)	-	-	-	-	-	2,678,768	2,678,768
Investment from specific capital management plan	4(3)(2)	-	-	-	-	-	1,915,125	1,915,125
Others		-	-	-	-	-	30,266	30,266
Withdrawal surplus reserves	5(34)	-	-	-	18,860	(18,860)	-	-
Profit distribution to equity owners	5(35)	-	-	-	-	(446,151)	(789,673)	(1,235,824)
Balance at 31 December 2014		2,027,960	706,109	581,134	360,628	5,444,301	12,293,394	21,413,526

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 2014 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Total owners' equity
Balance at 31 December 2012		2,027,960	1,332,831	-	341,768	1,677,410	5,379,969
Changes in accounting policies		-	(53,523)	53,523	-	-	-
Balance at 1 January 2013		2,027,960	1,279,308	53,523	341,768	1,677,410	5,379,969
Movement for the year end							
31 December 2013							
Comprehensive income							
Net loss		-	-	-	-	(33,440)	(33,440)
Other comprehensive losses		-	-	(9,993)	-	-	(9,993)
Total		-	-	(9,993)	-	(33,440)	(43,433)
Profit distribution to equity owners	5(35)	-	-	-	-	(324,474)	(324,474)
Balance at 31 December 2013		2,027,960	1,279,308	43,530	341,768	1,319,496	5,012,062
Balance at 1 January 2014		2,027,960	1,279,308	43,530	341,768	1,319,496	5,012,062
Movement for the year end							
31 December 2014							
Comprehensive income							
Net profit		-	-	-	-	188,600	188,600
Other comprehensive losses		-	-	(37,711)	-	-	(37,711)
Total		-	-	(37,711)	-	188,600	150,889
Withdrawal surplus reserves		-	-	-	18,860	(18,860)	-
Profit distribution to equity owners	5(35)	-	-	-	-	(446,151)	(446,151)
Balance at 31 December 2014		2,027,960	1,279,308	5,819	360,628	1,043,085	4,716,800

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 2014 (All amounts in thousands of units of RMB otherwise stated)

1. GENERAL INFORMATION

Beijing Capital Land Ltd. (hereinafter “the Company”) was established by seven companies (hereinafter “the promoters” on 23 July 2002, namely Beijing Capital Group Ltd. (hereinafter “Capital Group”), Beijing Sunshine Real Estate Comprehensive Development Company (hereinafter “Sunshine Comprehensive”), Beijing Capital Sunshine Real Estate Development Co., Ltd. (hereinafter “Capital Sunshine”), Beijing Capital Technology Investment Co., Ltd. (hereinafter “Capital Technology”), Beijing Capital Hangyu Economic Development Co., Ltd. (renamed “Beijing Capital Development Co., Ltd.” 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 (“H-shares”) in June 2003. And 51,330,000 state-owned shares and state-owned entities shares were transferred to public by some of the promoters.

In 27 January 2005 and 26 October 2006, the Company placed 456,126,000 H-shares (RMB1 per share) in total, of which, 414,660,000 shares were newly issued and 41,466,000 state-owned shares and state-owned entities shares were transferred to public by some of the promoters.

The parent company and the ultimate parent company of the Company is Capital Group, a state owned enterprise incorporated in Beijing.

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

These consolidated financial statements were approved by the Board of Directors on 9 February 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1). Basis of preparation

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

The financial statements were prepared in basis of going concern.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

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

The financial statements of the Company for the year ended 31 December 2014 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Consolidated and the Company as at 31 December 2014 and of their financial performance, cash flows and other information for the year ended 31 December 2014.

(3). Accounting year

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

(4). Functional currency

The functional currency of the Company's and most of its subsidiaries is Renminbi (RMB), while the functional currency of a subsidiary incorporated in France, including Datang Weiye Holdings (France) Co., Ltd. ("Datang Weiye France") is Euro (EUR), and the functional currency of Juda International Holdings Limited ("Juda International") was changed from Hong Kong Dollar (HKD) to Renminbi (RMB) on 31 December 2014, adapting to new strategy and business environment.

(5). Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the acquirer 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 recognized in the capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is recognized in retained earnings.

Costs directly attributable to the combination shall be recognized in profit or loss for the year when occurred.

Transaction costs in the issue of equity securities and debt securities attributable to the combination shall be recognized initial amount of equity securities and debt securities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(5). Business combinations *(Continued)*

(b) Business combinations involving enterprises not under common control

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

In a business combination involving entities not under common control achieved in stages. In the individual financial statement, the initial cost shall be the summation of the book value of the previously held equity interest in the acquiree before the acquisition date and the additional investment cost on the acquisition date. In the consolidated financial statements, the previously held equity interest in the acquiree is remeasured to fair value on the acquisition date and the difference between the fair value and the net book value is recognized as investment income for the year. If other comprehensive income was recognized regarding the equity interest previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income in the year in which the acquisition occurs. Difference between the consideration paid by the Group as the acquirer, including equity interest of the acquiree held before the acquisition date, and the Group's interest in the fair value of the identifiable net assets of the acquiree, is recognized as good will if it is an excess.

Costs directly attributable to the combination are recognized in profit or loss in the year 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 realized before the combination date is presented separately in the consolidated income statement.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(6). Preparation of consolidated financial statements *(Continued)*

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

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

(7). Cash

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

(8). Foreign currency translation

(a) Foreign currency transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(8). Foreign currency translation (Continued)

(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 on the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates on 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.

(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 mainly comprised of financial assets at fair value through profit or loss, 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.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (note 5(3)).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(9). Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(ii) Recognition and measurement

Financial assets are recognized at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Transaction costs that are attributable to the acquisition of the 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 amortized cost using the effective interest method.

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

(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 make a provision for impairment.

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

When an impairment loss on a financial asset carried at amortized cost has occurred, the amount of loss is measured at the difference between the 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 recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit or loss.

Objective evidence of impairment on available-for-sale equity investments includes that the fair value of those equity instruments is exposed to significant or prolonged decline. The Group assesses the carrying amounts of available-for-sale equity instruments separately at each balance sheet date. If the fair value of the equity instrument declines beyond 50% compared with the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(9). Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(iii) Impairment of financial assets *(Continued)*

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 recognized directly in equity is removed from equity and recognized in impairment loss. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognized, the increase in its fair value in a subsequent period is recognized in equity directly.

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

(iv) Derecognition of financial assets

A financial asset is derecognized 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 along with the cumulative changes in fair value that had been recognized directly in equity, is recognized in profit or loss.

(b) Financial liabilities

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

Forward foreign exchange contract recognized by cash flow hedging instruments is accounted by derivative financial liabilities. The changes of other forward foreign exchange contracts are recognized in profit or loss at fair value.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(9). Financial instruments *(Continued)*

(b) Financial liabilities *(Continued)*

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.

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

(c) Determination of fair value of financial instrument

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

(d) Offsetting of financial assets and liabilities

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

(10). Hedging activities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(10). Hedging activities *(Continued)*

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

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

Gain or loss relating to the ineffective portion is recognized in the income statement.

When a transaction that is hedged influences the income statement, the gain or loss on the hedging instrument recognized in other comprehensive income is transferred out and recognized in income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gain or loss previously deferred in equity is transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and will be recognized in the income statement, when the forecast transaction is ultimately occur. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accounted in equity is immediately transferred to the income statement.

(11). Receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(12). Inventories

(a) Classification

Inventories include properties under development, properties held for sale, work in progress, finished goods and low-cost consumables, and are measured at the lower of cost and net realizable value.

(b) Measurement of inventories

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

Public ancillary facilities comprise government-approved public ancillary projects, i.e. roads. The relevant costs are recognized 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.

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

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

(d) The Group adopts the perpetual inventory system.

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

(13). Long-term equity investments

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

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

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.

When the accounting policies and the accounting periods are inconsistent between the Company and investees, the financial statements of investees are adjusted in accordance with the accounting policies and accounting periods of the Company and recognize the investment income accordingly.

(a) Measurement of investment cost

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

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

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

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

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

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

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

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

(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 (20)).

For other long-term equity investments which are not quoted in an active market and whose fair values cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. And the impairment cannot be reversed once it is recognized.

(14). Joint operations

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

(15). Investment properties

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

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

- (a) There is an active property market where the investment property locates.
- (b) The Group can obtain the market price 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(15). Investment properties *(Continued)*

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

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

For investment properties under construction measured at cost, land use rights are amortized by using the estimated useful life and net residual rate. The amortization is capitalized.

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

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 (20)).

(16). Fixed assets

(a) Recognition and initial measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(16). Fixed assets (Continued)

(b) Depreciation methods of fixed assets

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

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

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

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

(c) When recoverable amount of fixed asset is lower than its carrying amount, the carrying amount should be written down to the recoverable amount (Note 2(20)).

(d) Disposal of fixed assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(17). Borrowing costs

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

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

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

(18). Intangible assets

Intangible assets are land use rights and are measured at cost. The cost of land use rights obtained for construction of real estate projects and investment properties is recognized in inventory development costs.

(a) Land use rights

Land use rights are amortized 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 recognized as fixed assets.

(b) Periodical review of useful life and amortization method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortization 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 amount, the carrying amount should be written down to the recoverable amount (Note 2 (20)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(19). Long-term prepaid expenses

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

(20). Impairment of long-term assets

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

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

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

(21). Employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(21). Employee benefits *(Continued)*

(a) Short-term employee benefits

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

(b) Demission benefits

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

Basic social pension security

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

The Group provides a pension scheme, which is established under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (“MPF Scheme”), for all employees in Hong Kong. The statutory contribution requirements to the MPF Scheme are minimum 5% of eligible employees’ relevant aggregate income and maximum HKD1,500 (HKD1,250 before 1 June 2014) monthly. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

Supplementary pension security plan

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(21). Employee benefits *(Continued)*

(c) Termination benefits

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

(22). Equity instruments

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

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

The amounts issued by the subsidiaries and classified as equity instruments in the consolidated financial statements of the Group are presented as "Non-controlling interest".

(23). Distribution of dividends

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

(24). Provisions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(25). Revenue recognition

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

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

(a) Sales of goods

- (i) Revenue of sales of development properties is recognized when all the following conditions have been satisfied:
 - properties are completed and accepted after check;
 - a legally binding sales contract has been signed;
 - all the significant risks and rewards of ownership of the development properties have been transferred to the buyer;
 - the Company does not retain the management rights, which is normally associated with owner, on the development properties sold and has no control over the development properties sold. The Company does not meet the other criteria required when recognizing revenue mentioned above.
- (ii) The Group produces chemical products and sells to distributors around the country. The Group transports the chemical products to the agreed delivery place according to the contract. With the distributor's receiving confirmation, the Group recognizes revenue. Distributors have the right to sell chemical products on their own and take the risk of price fluctuation or damage of the chemical products.

(b) Rendering of services

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

(c) Transfer of asset use rights

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(26). Government grants

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

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

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

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

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

(27). Deferred tax assets and deferred tax liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

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

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

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

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

(28). 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 recognized in the asset cost or in profit or loss on a straight-line basis over the year of the lease.

(29). Maintenance and quality guarantee funds

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

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

(30). Held for sale and discontinued operations

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(30). Held for sale and discontinued operations *(Continued)*

Non-current assets classified as held for sale, the assets and liabilities in the disposal groups are classified as current assets and current liabilities.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished from other components within the Group in business operation and in preparation of financial statements: (1) the component represents a separate major line of business or geographical area of operations; (2) is part of a single coordinated plan to disposal of a separate major line of business or geographical area of operations; (3) is a subsidiary acquired exclusively for the purpose of resale.

(31). Segment information

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

An operating segment is a component of the Group that satisfies all of the following conditions: (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 could be aggregated into one single operating segment.

(32). 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 long-term equity investment 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 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(33). Changes in significant accounting policies

The Ministry of Finance issued CAS No. 39 – Fair value measurement, CAS No. 40 – Joint venture arrangements, CAS No. 41 – Disclosure of equity in other entity and amended CAS No. 2 – Long-term equity investment, CAS No. 9 – Employee benefits, CAS No. 30 – Financial statement presentation, CAS No. 33 – Consolidated financial statements and CAS No. 37 – Financial instrument presentation in 2014. These new and amended standards are required to adopt after 1 July 2014 except that CAS No. 37 – Financial instrument presentation is required to adopt for the year ended 31 December 2014.

The Group has decided to adopt these new and amended standards in preparing the financial statements for the year ended 31 December 2014. The impacts of the adoption on the Group's financial statements are as follows:

Details and reasons for changes

- (i) According to CAS No. 30 – Presentation of financial statements, the name of account “Financial assets held for trading” has been changed to “Financial assets at fair value through profit or loss”; “Other comprehensive income” is listed as an individual item in balance sheet; “Assets and component classified as held for sale” are listed as individual items in current assets and current liabilities in balance sheet; comparative figures are restated accordingly. Affected accounts are listed below:

Items	31 December 2013	1 January 2013
Assets classified as held for sale	1,902,313	2,863,803
Cash at bank and on hand	(5,573)	(101,982)
Other current assets	(1,896,740)	(880,961)
Advances to suppliers	–	(103,156)
Other receivables	–	(816,654)
Inventories	–	(961,050)
Liabilities classified as held for sale	877,972	1,980,344
Accounts payable	(60,768)	(2,191)
Employee benefits payable	–	(793)
Taxes payable	(20,470)	(46,842)
Other payables	–	(1,136,572)
Interest payable	(1,734)	–
Current portion of non-current liabilities	(12,500)	–
Other current liabilities	(782,500)	(793,946)
Capital surplus	(1,279,938)	(1,395,937)
Other comprehensive income	1,285,991	1,394,322
Foreign currency translation differences of financial statements	(6,053)	1,615

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(33). Changes in significant accounting policies *(Continued)*

- (ii) Certain disclosures of financial statements in relation to fair value are prepared in accordance with the CAS No.39 – Fair value measurement. There is no need to adjust relevant information in comparative financial statements.
- (iii) Certain disclosures of financial statements in relation to equity in other entity are prepared in accordance with CAS No.41 – Disclosure of equity in other entity.

(34). 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 relevant property development cost.

(ii) Taxes

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

(iii) Impairment of assets

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in note 2(20). If there is objective evidence that the carrying amount of assets is in excess of its recoverable amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

(iv) Provisions for doubtful debts of receivables

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(34). 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 the future period is required from the Group in recognizing 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 to offset the deductible losses.

(vi) **Fair value of investment properties**

The Group adopts fair value model for subsequent measurement 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 trading prices in an active market of the same or similar investment property, and take the factors of situations, dates and locations of transactions, etc. into consideration;

Calculation based on the discounted of future estimated rental income and other related cash flows.

(vii) **Provision for the decline in value of inventories**

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

(viii) **Accounting estimates on impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment. These calculations require accounting estimation. The group's goodwill is mainly generated from an acquisition for a Hong Kong stock exchange listed company. The group applies the market value of shares of the listed company at balance sheet date to evaluate the recoverable amount of the asset groups and groups of asset groups.

(ix) **Deferred income tax liabilities**

The Group needs to estimate the possibility of the dividend distribution or share transfer of the non-resident enterprises, when recognizing deferred income tax liabilities for taxable temporary differences of withholding income tax.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

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

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

According to the accounting policy stated in note 2(25), the assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the judgment according to the circumstances of the transaction. In most cases, the transfer point of risks and rewards of ownership coincides with the date when the buyer check and accept the property or when the buyer is regarded as checking and accepting the property.

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

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 located in the PRC Income from taxable dividends of non-resident enterprises and investments disposal in mainland China
Business tax	5%	Taxable turnover amount
LAT	30%-60%	Taxable value added amount through sales of properties
Value added tax(a)	6%	Value added tax payable
City maintenance and construction tax	5%-7%	Business tax payable
Education surcharge	3%	Business tax payable
Property tax	1.2%	Taxable residual value of properties

- (a) According to the announcement about the pilot program of changing Business tax to value added tax (VAT) (Tax 2011(No. 110)) and The announcement about implementing the tax policy of changing Business tax to VAT among transportation industry and part of modern services industry (Tax 2013 (No. 37)) issued by Ministry of Finance and State Administration of Taxation (SAT), Business tax applied to technical services and advisory services of the Company with a tax rate of 5% before 1 August 2013, and after the date VAT applied to these services with a tax rate of 6%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT

(1). Significant subsidiaries

1. Subsidiaries incorporated by promoters at establishment of the Company

Name	Place of registration	Place of main operation	Principal activities	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2014	31 December 2013	31 December 2014		31 December 2013		31 December 2014		31 December 2013	
						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	Beijing, the PRC	Property Development and Investment	USD11,258,000	USD11,258,000	75	25	75	25	75	25	75	25
(2) Beijing Rongjin Real Estate Development Co., Ltd. ("Rongjin Company")	Beijing, the PRC	Beijing, the PRC	Property Development and Investment	USD6,360,000	USD6,360,000	10	49.5	10	49.5	10	49.5	10	49.5
(3) Beijing Sunshine Jindu Properties Co., Ltd. ("Jindu Company")	Beijing, the PRC	Beijing, the PRC	Property Development and sales	RMB370,000,000	RMB370,000,000	100	-	100	-	100	-	100	-
(4) Central Plaza Development Ltd. ("Central Plaza") (i)	B.V.I	Hong Kong	Investment Holding	USD1	USD1	100	-	100	-	100	-	100	-
(5) International Financial Center Property, Ltd. ("IFC")	B.V.I	Hong Kong	Investment Holding	USD1	USD1	100	-	100	-	100	-	100	-

- (i). As at 31 December 2014, Central Plaza, a subsidiary of the Group, has issued cooperate bonds and mid-term notes amounted to RMB5,250,000,000 (note 5(29)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

2. Subsidiaries obtained from business combinations involving enterprises not under common control

Name	Place of registration	Place of main operation	Principal activities	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2014	31 December 2013	31 December 2014		31 December 2013		31 December 2014		31 December 2013	
						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	Beijing, the PRC	Property Development and sales	RMB640,000,000	RMB640,000,000	100	-	100	-	100	-	100	-
(2) Beijing HYHL Real Estate Development Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Property Development and sales	USD10,000,000	USD10,000,000	-	100	-	100	-	100	-	100
(3) Beijing Anhua Shiji Real Estate Development Co., Ltd. ("Anhua Shiji")	Beijing, the PRC	Beijing, the PRC	Property Development and sales	USD30,000,000	USD30,000,000	55	45	55	45	60	40	60	40
(4) Tianjin Banshan Renjia Real Estate Co., Ltd. ("Tianjin Banshan")	Tianjin, the PRC	Tianjin, the PRC	Property Development and sales	USD74,000,000	USD74,000,000	-	100	-	55	-	100	-	60
(5) Beijing Sunshine City Real Estate Development Co., Ltd. ("Sunshine City")	Beijing, the PRC	Beijing, the PRC	Property Development and sales	USD20,000,000	USD20,000,000	50	50	50	50	60	40	60	40
(6) Chongqing Xinshi Real Estate Development CO., Ltd. ("Chongqing Xinshi") (i)	Chongqing, the PRC	Chongqing, the PRC	Property Development and sales	USD95,000,000	USD95,000,000	-	100	-	50	-	100	-	50
(7) Beijing Xinbocheng Real Estate Development Co., Ltd. ("Xinbocheng")	Beijing, the PRC	Beijing, the PRC	Property Development and sales	RMB89,000,000	RMB89,000,000	-	100	-	100	-	100	-	100
(8) Qingdao Yangguang Binhai Properties Co., Ltd.	Qingdao, the PRC	Qingdao, the PRC	Property Development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
(9) Qingdao Qianqianshu Investment Properties Co., Ltd.	Qingdao, the PRC	Qingdao, the PRC	Property Development and sales	RMB20,000,000	RMB20,000,000	-	100	-	100	-	100	-	100
(10) Yantai Yangguang Lidu Real Estate Development Co., Ltd.	Yantai, the PRC	Yantai, the PRC	Property Development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
(11) Yantai Yangguang Lizhen Real Estate Development Co., Ltd.	Yantai, the PRC	Yantai, the PRC	Property Development and sales	RMB75,000,000	RMB75,000,000	-	100	-	100	-	100	-	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

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

Name	Place of registration	Place of main operation	Principal activities	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2014	31 December 2013	31 December 2014		31 December 2013		31 December 2014		31 December 2013	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(12) Yantai Yangguang Xinye Real Estate Development Co., Ltd.	Yantai, the PRC	Yantai, the PRC	Property Development and sales	RMB75,000,000	RMB75,000,000	-	100	-	100	-	100	-	100
(13) Zhejiang Huisheng Real Estate Co., Ltd	Huzhou, the PRC	Huzhou, the PRC	Property Development and sales	USD20,000,000	USD20,000,000	-	100	-	100	-	100	-	100
(14) Zhejiang Outlets Property Real Estate Co., Ltd	Huzhou, the PRC	Huzhou, the PRC	Property Development and sales	USD40,000,000	USD40,000,000	-	100	-	100	-	100	-	100
(15) Tianjin Shengtai Cheng Jiaming Ronghe Development Co., Ltd	Tianjin, the PRC	Tianjin, the PRC	Property Development and sales	RMB60,000,000	RMB60,000,000	-	100	-	100	-	100	-	100
(16) Juda International(i)	Cayman Islands	Hong Kong	Investment Holding	HK\$2,000,000	HK\$2,000,000	-	65.1	-	65.1	-	65.1	-	65.1
(17) Nice world chemical industry (xiamen) Co. Ltd. ("NWCI" (i))	Xiamen, the PRC	Xiamen, the PRC	Manufacture and sale of chemicals	USD8,000,000	USD8,000,000	-	65.1	-	65.1	-	65.1	-	65.1
(18) Xi'an Capital Xinkai Real Estate Co., Ltd. ("Xi'an Xinkai") (note 4(2))	Xi'an, the PRC	Xi'an, the PRC	Property Development and sales	USD165,000,000	-	-	100	-	40	-	100	-	40
(19) Huzhou Capital Rongcheng Real Estate Co., Ltd. ("Huzhou Rongcheng") (note 4(2))	Huzhou, the PRC	Huzhou, the PRC	Property Development and sales	RMB60,000,000	-	-	55	-	55	-	55	-	55
(20) Beijing Xingtai Jicheng Real Estate Co., Ltd. ("Xingtai Jicheng") (note 4(2))	Beijing, the PRC	Beijing, the PRC	Property Development and sales	RMB45,000,000	-	-	100	-	-	-	100	-	-
(21) Beijing Yongyuan Jintai Investment Management Co., Ltd. ("Yongyuan Jintai") (note 4(2))	Beijing, the PRC	Beijing, the PRC	Investment management	RMB5,000,000	-	100	-	-	-	100	-	-	-

- (i) As at 31 December 2013, the Group held 50% equity interests in Chongqing Xinshi, and according to the Articles of Chongqing Xinshi, the Group has the right to control significant financial and operating decisions without the agreement of other shareholders. Therefore the Group took control over Chongqing Xinshi. In December 2014, the Group acquired the rest 50% equity interests, since then Chongqing Xinshi became the Group's wholly-owned subsidiary (Note 4(5)).
- (ii) Juda International is listed on the main board of Stock Exchange of Hong Kong Limited (stock code: 1329), a significant subsidiary of which is NWCI (note 5(7)(a)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

3. Subsidiaries obtained through incorporation or by other means

Name	Place of registration	Place of main operation	Principal activities	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2014	31 December 2013	31 December 2014		31 December 2013		31 December 2014		31 December 2013	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(1) Beijing Capital Xinzi Real Estate Ltd. ("Beijing Xinzi")	Beijing, the PRC	Beijing, the PRC	Property Development and sales	RMB496,590,000	RMB496,590,000	100	-	100	-	100	-	100	-
(2) Beijing Shangboya Investment Consultant Co., Ltd. ("Shangboya")	Beijing, the PRC	Beijing, the PRC	Investment Management	RMB30,000,000	RMB30,000,000	100	-	100	-	100	-	100	-
(3) Beijing Shangbodi Investment Consultant Co., Ltd. ("Shangbodi")	Beijing, the PRC	Beijing, the PRC	Investment Management	RMB30,000,000	RMB30,000,000	51	-	51	-	51	-	51	-
(4) Tianjin Xinchuang Land Ltd. ("Tianjin Xinchuang")	Tianjin, the PRC	Tianjin, the PRC	Property Development and sales	USD25,000,000	USD25,000,000	-	100	-	100	-	100	-	100
(5) Chengdu Capital Xinzi Real Estate Development Ltd ("Chengdu Xinzi")	Chengdu, the PRC	Chengdu, the PRC	Property Development and sales	USD30,000,000	USD30,000,000	-	100	-	100	-	100	-	100
(6) Jiangsu Capital Real Estate Development Ltd. ("Jiangsu Capital")	Wuxi, the PRC	Wuxi, the PRC	Property Development and sales	USD12,500,000	USD12,500,000	60	40	60	40	60	40	60	40
(7) Beijing Capital Land Chengdu Co., Ltd. ("Capital Chengdu")	Chengdu, the PRC	Chengdu, the PRC	Investment Management	RMB150,000,000	RMB150,000,000	100	-	100	-	100	-	100	-
(8) Chengdu Capital Yidu Real Estate Development Co., Ltd. ("Chengdu Yidu")	Chengdu, the PRC	Chengdu, the PRC	Property Development and sales	USD100,000,000	USD100,000,000	-	55	-	55	-	60	-	60
(9) Tianjin Capital Xinyuan Real Estate Development Co., Ltd. ("Tianjin Xinyuan")	Tianjin, the PRC	Tianjin, the PRC	Property Development and sales	USD95,000,000	USD95,000,000	-	55	-	55	-	60	-	60
(10) Tianjin Capital Xingang Real Estate Development Co., Ltd. ("Tianjin Xingang")	Tianjin, the PRC	Tianjin, the PRC	Property Development and sales	USD95,000,000	USD95,000,000	-	55	-	55	-	60	-	60
(11) Wuxi Xindong Real Estate Development Co., Ltd. ("Wuxi Xindong")	Wuxi, the PRC	Wuxi, the PRC	Property Development and sales	RMB100,000,000	RMB100,000,000	100	-	100	-	100	-	100	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

3. Subsidiaries obtained through incorporation or by other means (Continued)

Name	Place of registration	Place of main operation	Principal activities	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2014	31 December 2013	31 December 2014		31 December 2013		31 December 2014		31 December 2013	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(12) Central Plaza Xinrong Hotel Management Co., Ltd. ("Central Plaza Xinrong")	Beijing, the PRC	Beijing, the PRC	Hotel services and Management	USD6,062,000	USD6,062,000	75	25	75	25	75	25	75	25
(13) Beijing Chuangxin Jianye Real Estate Investment Ltd. ("Chuangxin Jianye")	Beijing, the PRC	Beijing, the PRC	Investment Management	RMB50,000,000	RMB50,000,000	100	-	100	-	100	-	100	-
(14) Jingjin Tongcheng (Tianjin) Investment Co., Ltd. ("Jingjin Tongcheng")	Tianjin, the PRC	Tianjin, the PRC	Property Development and sales	RMB250,000,000	RMB250,000,000	-	90	-	90	-	90	-	90
(15) Outlets Property Investment Fang Shan Ltd.	Beijing, the PRC	Beijing, the PRC	Property Development and sales	USD127,000,000	USD127,000,000	-	100	-	100	-	100	-	100
(16) Beijing Capital Zhongbei Real Estate Development Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Property Development and sales	RMB100,000,000	RMB100,000,000	-	100	-	100	-	100	-	100
(17) BECL Investment Holding Ltd. ("BECL")	Hong Kong	Hong Kong	Investment Holding	USD9,900,000	USD9,900,000	100	-	100	-	100	-	100	-
(18) Beijing Anshunyu Real Estate Development Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Property Development and sales	RMB50,000,000	RMB50,000,000	-	95	-	95	-	95	-	95
(19) Zhengjiang Xianji Real Estate Development Co., Ltd.	Zhenjiang, the PRC	Zhenjiang, the PRC	Property Development and sales	USD40,000,000	USD40,000,000	-	100	-	100	-	100	-	100
(20) Zhejiang Shouxin Real Estate Development Co., Ltd.	Huzhou, the PRC	Huzhou, the PRC	Property Development and sales	USD24,500,000	USD24,500,000	-	100	-	100	-	100	-	100
(21) Zhejiang Hualong Real Estate Development Co., Ltd.	Huzhou, the PRC	Huzhou, the PRC	Property Development and sales	USD67,000,000	USD67,000,000	-	100	-	100	-	100	-	100
(22) Beijing Ruiyuanfengji Real Estate Development Co., Ltd. ("Ruiyuanfengji")	Beijing, the PRC	Beijing, the PRC	Property Development	RMB10,000,000	RMB10,000,000	100	-	100	-	100	-	100	-
(23) Capital Tianshun Real Estate Development Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Property Development	RMB100,000,000	RMB100,000,000	-	100	-	100	-	100	-	100
(24) Nanjing Ningchun Real Estate Development Co., Ltd.	Nanjing, the PRC	Nanjing, the PRC	Infrastructure Investment	RMB100,000,000	RMB100,000,000	-	100	-	100	-	100	-	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

3. Subsidiaries obtained through incorporation or by other means (Continued)

Name	Place of registration	Place of main operation	Principal activities	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2014	31 December 2013	31 December 2014		31 December 2013		31 December 2014		31 December 2013	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(25) Hainan Outlets Real Estate Development Co., Ltd.	Wanning, the PRC	Wanning, the PRC	Property Development	USD14,000,000	USD14,000,000	-	55	-	55	-	55	-	55
(26) Jiangyin Yuyue Real Estate Development Co., Ltd.	Jiangyin, the PRC	Jiangyin, the PRC	Property Development	USD49,000,000	USD49,000,000	-	100	-	100	-	100	-	100
(27) Sanya Shengxing Weiye Real Estate Development Co., Ltd. ("Sanya Shengxing") (i)	Sanya, the PRC	Sanya, the PRC	Property Development and sales	N/A	RMB100,000,000	N/A	N/A	-	100	N/A	N/A	-	100
(28) Qingdao Xinli Weiye Real Estate Development Co., Ltd.	Qingdao, the PRC	Qingdao, the PRC	Property Development and sales	RMB90,000,000	RMB90,000,000	-	100	-	100	-	100	-	100
(29) Capital Guoxin Asset Management Co., Ltd. ("Capital Guoxin")	Beijing, the PRC	Beijing, the PRC	Asset Management	RMB100,000,000	RMB100,000,000	100	-	100	-	100	-	100	-
(30) Capital Qinglv Real Estate (Kunshan) Co., Ltd. ("Capital Qinglv")	Kunshan, the PRC	Kunshan, the PRC	Property Development and sales	RMB300,000,000	RMB300,000,000	-	51	-	51	-	51	-	51
(31) Hainan Outlets Tourism Development Co., Ltd. ("Hainan Outlets Tourism")	Wanning, the PRC	Wanning, the PRC	Development, construction and property management	USD9,000,000	USD9,000,000	-	55	-	55	-	55	-	55
(32) Capital Outlets (Kunshan) Real Estate Development Co., Ltd.	Kunshan, the PRC	Kunshan, the PRC	Property Development and sales	RMB300,000,000	RMB300,000,000	-	100	-	100	-	100	-	100
(33) Shenyang Capital Xinyun Real Estate Co., Ltd.	Shenyang, the PRC	Shenyang, the PRC	Property Development and sales	RMB20,000,000	RMB20,000,000	-	100	-	100	-	100	-	100
(34) Datang Weiye Holdings	France	France	Real Estate Business	EUR25,000,000	EUR25,000,000	-	100	-	100	-	100	-	100
(35) Hainan Capital Outlets Real Estate Co., Ltd.	Wanning, the PRC	Wanning, the PRC	Property Development and sales	RMB20,000,000	RMB20,000,000	-	100	-	100	-	100	-	100
(36) Beijing Jinrui Wealth Investment Management Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Investment Management	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
(37) Capital Dongxing (Kunshan) Real estate Development Co., Ltd.	Kunshan, the PRC	Kunshan, the PRC	Property Development and sales	RMB300,000,000	RMB20,000,000	-	100	-	100	-	100	-	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

3. Subsidiaries obtained through incorporation or by other means (Continued)

Name	Place of registration	Place of main operation	Principal activities	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2014	31 December 2013	31 December 2014		31 December 2013		31 December 2014		31 December 2013	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(38) Tianjin Tongcheng Real Estate Co., Ltd.	Tianjin, the PRC	Tianjin, the PRC	Property Development and sales	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
(39) Beijing Zhongzhi Dingfu Real Estate Co., Ltd. ("Beijing Zhongzhidingfu")	Beijing, the PRC	Beijing, the PRC	Investment Management	RMB100,000,000	RMB100,000,000	100	-	100	-	100	-	100	-
(40) Beijing Tiancheng Yongtai Real Estate Co., Ltd. ("Tiancheng Yongtai")	Beijing, the PRC	Beijing, the PRC	Property Development and sales	RMB2,246,290,000	RMB2,246,290,000	-	68.5	-	68.5	-	60	-	60
(41) Beijing Tiancheng Yongyuan Real Estate Co., Ltd. ("Tiancheng Yongyuan")(i)	Beijing, the PRC	Beijing, the PRC	Property Development and sales	RMB1,997,109,000	RMB1,997,109,000	-	50	-	100	-	60	-	100
(42) Tianjin Xingtai Jixing Real Estate Co., Ltd.	Tianjin, the PRC	Tianjin, the PRC	Property Development	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
(43) Qingdao Guoxin Yicheng Investment Co., Ltd. ("Qingdao Guoxin Yicheng") (note 4(5))	Qingdao, the PRC	Qingdao, the PRC	Investment Holding	RMB10,000,000	RMB10,000,000	-	100	-	51	-	100	-	51
(44) Beijing Chuangrui Xiangan Real Estate Co., Ltd.	Beijing, the PRC	Beijing, the PRC	Property Development and sales	RMB30,000,000	RMB30,000,000	-	100	-	100	-	100	-	100
(45) Shanghai Songchaung Real Estate Co., Ltd.	Shanghai, the PRC	Shanghai, the PRC	Property Development	RMB50,000,000	RMB50,000,000	-	100	-	100	-	100	-	100
(46) Specific Assets Management Plan for Capital Lize Project Beijing of Minsheng Royal Asset Management Co., Ltd (the "Specific Asset Management Plan") (iii)	Beijing, the PRC	Beijing, the PRC	Investment Holding	RMB2,200,000,000	RMB2,200,000,000	9	-	9	-	N/A	-	N/A	-
(47) Beijing Yikaiyou Real Estate Co., Ltd. (iv)	Beijing, the PRC	Beijing, the PRC	Property Development	RMB20,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
(48) Shanghai Capital Zhengheng Real Estate Co., Ltd. (iv)	Shanghai, the PRC	Shanghai, the PRC	Property Development	RMB10,000,000	N/A	100	-	N/A	N/A	100	-	N/A	N/A

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For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(1). Significant subsidiaries (Continued)

3. Subsidiaries obtained through incorporation or by other means (Continued)

Name	Place of registration	Place of main operation	Principal activities	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2014	31 December 2013	31 December 2014		31 December 2013		31 December 2014		31 December 2013	
						Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %	Direct %	In-direct %
(49) Beijing Guijiao Real Estate Co.,Ltd.(iv)	Beijing, the PRC	Beijing, the PRC	Property Development	RMB300,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
(50) Tianjin Xingtai Jihong Real Estate Co.,Ltd.(iv)	Tianjin, the PRC	Tianjin, the PRC	Property Development	RMB300,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
(51) Beijing Lianchuang Shengye Real Estate Development Co., Ltd. ("Lianchuang Shengye") (v)	Beijing, the PRC	Beijing, the PRC	Property Development	RMB10,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
(52) Chengdu Capital Zhenghua Real Estate Co.,Ltd. ("Chengdu Zhenghua")(iv)	Chengdu, the PRC	Chengdu the PRC	Property Development and sales	RMB300,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
(53) Shanghai Capital Shoujia Real Estate Co.,Ltd. ("Shanghai Shoujia")(iv)	Shanghai, the PRC	Shanghai, the PRC	Property Development and sales	RMB50,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
(54) Beijing Chuangrui Hua'an Real Estate Co.,Ltd. ("Chuangrui Huan")(iv)	Beijing, the PRC	Beijing, the PRC	Property Development	RMB300,000,000	N/A	-	100	N/A	N/A	-	100	N/A	N/A
(55) Lehui Shenghuo (Beijing) Technology Service Co., Ltd. ("Lehui Shenghuo")(iv)	Beijing, the PRC	Beijing, the PRC	Client Service and property management	RMB5,000,000	N/A	100	-	N/A	N/A	100	-	N/A	N/A

- (i) The registration of Sanya Shengxing was canceled after the approval of Business Administration.
- (ii) As at 31 December 2014, the Group held 50% equity interest of Tiancheng Yongyuan. According to the articles of Tiancheng Yongyuan, the Group has the right to control significant financial and operation policies of Tiancheng Yongyuan. Therefore Tiancheng Yongyuan is accounted as a subsidiary of the Group.
- (iii) The Group holds 9% interest in the Specific Asset Management Plan as a secondary priority investor. Based on the Agreement of the Plan, the Group shares or undertakes the majority of income or risk of the plan, thus the Group has control over the Specific Asset Management Plan.
- (iv) These companies were newly set up by the Group this year.
- (v) The Group entered into an equity transfer agreement with a third party to purchase 100% share of Lianchuang Shengye in Year 2014. Lianchuang Shengye has no other business except for holding the Land No.2 in Beijing Shunyi District. The transaction was accounted as purchasing assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Business combination involving entities not under common control

Detailed information of business combination involving entities not under common control in 2014 are set out below:

1. Xi'an Xinkai

In August 2014, the Group entered into an equity interest transfer agreement with Reco Ziyang Investment Ltd. ("Reco Ziyang") to acquire 60% equity interests in Xi'an Xinkai. Xi'an Xinkai is principally engaged in the real estate development. The transaction was completed in September 2014.

The Group treats this purchasing of subsidiaries as business combination. The purchasing date of this transaction is 28 September 2014, the date on which the Group obtained control over Xi'an Xinkai.

Details of net assets acquired and goodwill recognized are as follows:

	Amount
Combination costs –	
Consideration paid in cash	937,600
Fair value of initial 40% equity	689,040
Total combination costs	1,626,640
Less: Fair value of the Identifiable net assets acquired	(1,722,599)
Excess of the fair value of the identifiable net assets acquired over the total consideration (note 5(41))	(95,959)
	Amount
Fair value of initial 40% equity	689,040
Less: Book value of initial 40% equity (note 5(10))	(512,345)
Gains from deemed disposal (note 5(44))	176,695

The Group maintained a long-term strategic partnership with Reco Ziyang, and the price was decided based on the fair value of the transferred equity, considering the respective operation strategies, which result in the negative goodwill above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Business combination involving entities not under common control

(Continued)

1. Xi'an Xinkai (Continued)

Assets, liabilities and related cash flows of Xi'an Xinkai at acquisition date are as follows:

	Fair value At acquisition date	Book value At acquisition date	31 December 2013
Cash at bank or on hand	219,989	219,989	471,119
Accounts receivable	10,698	10,698	19,990
Advances to suppliers	56,439	56,439	116,650
Other receivables	1,750,579	1,750,579	1,531,067
Inventories	1,890,940	1,347,063	1,826,284
Fixed assets	243	243	340
Less: Accounts payables	169,393	169,393	235,176
Advances from customers	650,677	650,677	1,316,560
Employee benefit payable	-	-	5,426
Taxes payable	36,403	36,403	45,614
Dividends payable	590,155	590,155	218,555
Other payables	32,242	32,242	130,859
Current portion of non-current assets	511,500	511,500	48,000
Long-term borrowings	56,500	56,500	432,000
Deferred tax liabilities	159,419	23,450	23,677
Net assets	1,722,599	1,314,691	1,509,583
Net assets acquired	1,722,599		
Consideration paid in cash	937,600		
Less: Cash balance of the subsidiary acquired	(219,989)		
Net cash paid in acquisition	717,611		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Business combination involving entities not under common control

(Continued)

1. Xi'an Xinkai (Continued)

The Group adopts valuation techniques to determine the fair value of the assets and liabilities of Xi'an Xinkai at acquisition date. Valuation methods of main assets and critical assumptions are as follows:

The inventories are valued through hypothetical development method. The assessed value equals to the hypothetical total project value at completion with subsequent expenditures deducted, such as costs to be paid and relevant taxes. The key assumption is as follows:

Properties with contracted sales amounts are taking reference to contract price; the unsold properties are evaluated by market comparison approach taking reference to expected sales price.

The revenue, net profit and cash flow of Xi'an Xinkai for the period from acquisition date to 31 December 2014 are as follows:

	Amount
Revenue	419,944
Net profit	100,198
Net cash in-flows of operational activities	(202,550)
Net cash in-flows	(137,113)

2. Huzhou Rongcheng

In February 2012, the Group established Huzhou Rongcheng and held 55% equity interests, but according to the Articles of Huzhou Rongcheng, the Group and other shareholders jointly control Huzhou Rongcheng, therefore it has been recognized as a joint venture.

In July 2014, Huzhou Rongcheng revised the Article of Association. According to the revised terms, the Group obtained majority voting rights for the financial and operation policies of Huzhou Rongcheng, and thus taken control of Huzhou Rongcheng.

The Group treats this purchasing of subsidiaries as business combination.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Business combination involving entities not under common control

(Continued)

2. Huzhou Rongcheng (Continued)

Details of net assets acquired and goodwill recognized are as follows:

	Amount
Combination costs –	–
Consideration paid in cash	–
Fair value of initial 55% equity	36,386
Total combination costs	36,386
Less: Fair value of the identifiable net assets acquired	(36,386)
Excess of the fair value of the identifiable net assets acquired over the total consideration	–
	Amount
Fair value of initial 55% equity	36,386
Less: Book value of initial 55% equity (note 5(10))	(23,274)
Gain from deemed disposal (note 5(44))	13,112

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Business combination involving entities not under common control

(Continued)

2. Huzhou Rongcheng (Continued)

Assets, liabilities and related cash flows of Huzhou Rongcheng at acquisition date are as follows:

	Fair value At acquisition date	Book value At acquisition date	31 December 2013
Cash at bank and on hand	8,687	8,687	65,533
Advances to suppliers	45,790	45,790	32,630
Other receivables	46,944	46,944	87,209
Inventories	526,451	501,584	435,313
Fixed assets	10	8	13
Deferred tax assets	4,165	4,165	3,858
Less: Accounts payables	660	660	48,454
Advances from customers	415,583	415,583	250,395
Employee benefit payable	-	-	121
Taxes payable	-	-	6,073
Other payables	71,431	71,431	2,088
Deferred tax liabilities	6,217	-	-
Current portion of non-current assets	72,000	72,000	269,000
Net assets	66,156	47,504	48,425
Less: Non-controlling interests	(29,770)		
Net assets acquired	36,386		
Consideration paid in cash	-		
Less: Cash balance of the subsidiary acquired	(8,687)		
Net cash paid in acquisition	(8,687)		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Business combination involving entities not under common control

(Continued)

2. Huzhou Rongcheng (Continued)

The Group adopts valuation techniques to determine the fair value of the assets and liabilities of Huzhou Rongcheng at the acquisition date. Valuation methods of main assets and critical assumptions are as follows:

The inventories are valued through hypothetical development method. The assessed value equals to the hypothetical total project value at completion with subsequent expenditures deducted, such as costs to be paid and relevant taxes. The key assumption is as follows:

Properties with contracted sales amounts are taking reference to contract price; the unsold properties are evaluated by market comparison approach taking reference to expected sales price.

The revenue, net profit and cash flow of Huzhou Rongcheng for the period from acquisition date to 31 December 2014 are as follows:

	Amount
Revenue	403,028
Net profit	25,735
Net cash in-flows of operational activities	77,111
Net cash in-flows	(5,127)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Business combination involving entities not under common control

(Continued)

3. Yongyuan Jintai & Xingtai Jicheng

In August 2014, the Group signed an equity interests transfer agreement with Kunshan Chuangbo Fund, a joint venture of the Group, to acquire 100% equity interests in Yongyuan Jintai and thus acquired 100% equity interests in Xingtai Jicheng wholly-owned by Yongyuan Jintai.

Xingtai Jicheng is principally engaged in the real estate development. The transaction was completed in November 2014.

The Group treats this purchasing of the subsidiaries as business combination. The purchasing date of this transaction is 30 November 2014, the date on which the Group obtained control over Yongyuan Jintai and Xingtai Jicheng.

Details of net assets acquired and goodwill recognized are as follows:

	Amount
Combination costs –	
Consideration paid in cash	216,530
Total combination costs	216,530
Less: Fair value of the identifiable net assets acquired	(216,530)
Excess of the fair value of the identifiable net assets acquired over the total consideration	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Business combination involving entities not under common control

(Continued)

3. Yongyuan Jintai & Xingtai Jicheng (Continued)

Assets, liabilities and related cash flows of Yongyuan Jintai and Xingtai Jicheng at acquisition date are as follows:

	Fair value At acquisition date	Book value At acquisition date	31 December 2013
Cash at bank and on hand	19,942	19,942	157,635
Accounts receivable	163	163	–
Advances to suppliers	40,722	40,722	168,591
Other receivables	540,491	540,491	1,502,804
Inventories	742,039	501,938	1,565,564
Fixed assets	171	171	38
Less: Accounts payables	313	313	156,265
Advances from customers	986,169	986,169	1,675,068
Employee benefit payable	–	–	116
Taxes payable	4,531	4,531	21,463
Other payables	75,959	75,959	10,609
Long-term borrowings	–	–	1,472,800
Deferred tax liabilities	60,026	–	–
Net assets	216,530	36,455	58,311
Less: Non-controlling interests	–	–	–
Net assets acquired	216,530		
Consideration paid in cash	216,530		
Less: Cash balance of the subsidiary acquired	(19,942)		
Net cash paid in acquisition	196,588		

The Group adopts valuation techniques to determine the fair value of the assets and liabilities of Yongyuan Jintai and Xingtai Jicheng at acquisition date. Valuation methods of main assets and critical assumptions are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(2). Business combination involving entities not under common control

(Continued)

3. Yongyuan Jintai & Xingtai Jicheng (Continued)

The inventories are valued through hypothetical development method. The assessed value equals to the hypothetical total project value at completion with subsequent expenditures deducted, such as costs to be paid and relevant taxes. The key assumption is as follows:

Properties with contracted sales amounts are taking reference to contract price; the unsold properties are evaluated by market comparison approach taking reference to expected sales price.

The revenue, net profit and cash flows of Yongyuan Jintai & Xingtai Jicheng for the period from the date of combination to 31 December 2014 are as follows:

	Amount
Revenue	6,576
Net profit	1,688
Net cash in-flows of operational activities	161,291
Net cash in-flows	37,383

(3). Subsidiaries with significant Non-controlling interests

1. Non-controlling interests from common equity interests

	Non-controlling shareholding	Non-controlling interest in 2014	Dividends to Non-controlling interest in 2014	Non-controlling interest as at 31/12/2014
Tianjin Xinyuan	45%	5,776	-	338,785
Tianjin Xingang	45%	(116,405)	-	208,296
Chengdu Yidu	45%	69,154	4,500	502,057
Tiancheng Yongtai	31.5%	(773)	-	836,302
Tiancheng Yongyuan (note 4(1)(3)(ii))	50%	(415)	-	993,895
Total	-	(42,663)	4,500	2,879,335

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(3). Subsidiaries with significant Non-controlling interests (Continued)

1. Non-controlling interests from common equity interests (Continued)

a. The financial information of subsidiaries above in this year

	Financial information as at 31 December 2014					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Tianjin Xinyuan	941,870	201	942,071	189,216	-	189,216
Tianjin Xingang	2,706,029	145	2,706,174	2,103,294	140,000	2,243,294
Chengdu Yidu	1,560,277	90	1,560,367	444,685	-	444,685
Tiancheng Yongtai	1,919,800	481,512	2,401,312	164,143	-	164,143
Tiancheng Yongyuan	6,892	2,088,565	2,095,457	107,667	-	107,667

	Financial information as at 31 December 2013					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Tianjin Xinyuan	1,388,039	278	1,388,317	648,297	-	648,297
Tianjin Xingang	6,353,259	11,852	6,365,111	5,213,553	430,000	5,643,553
Chengdu Yidu	2,433,786	173	2,433,959	1,461,952	-	1,461,952
Tiancheng Yongtai	2,240,014	2,414	2,242,428	2,804	-	2,804
Tiancheng Yongyuan	1,990,991	2,301	1,993,292	2,901	-	2,901

The financial information above are amounts before inter-group elimination.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(3). Subsidiaries with significant Non-controlling interests (Continued)

1. Non-controlling interests from common equity interests (Continued)

a. The financial information of subsidiaries above in this year (Continued)

	Operating results for 2014				Cash flows from operating activities
	Revenue	Total profit/(loss)	Net profit/(loss)	Total comprehensive income	
Tianjin Xinyuan	12,959	17,452	12,836	12,836	(127,482)
Tianjin Xingang	424,055	(258,678)	(258,678)	(258,678)	(3,163,872)
Chengdu Yidu	1,131,732	204,900	153,675	153,675	18,711
Tiancheng Yongtai	-	(3,273)	(2,454)	(2,454)	(45,816)
Tiancheng Yongyuan	-	(3,466)	(2,600)	(2,600)	(38,126)

	Operating results for 2013				Cash flows from operating activities
	Revenue	Total profit/(loss)	Net profit/(loss)	Total comprehensive income	
Tianjin Xinyuan	428,993	91,729	68,797	68,797	(9,184)
Tianjin Xingang	1,294,016	94,431	70,823	70,823	2,352,600
Chengdu Yidu	1,987,483	311,804	233,853	233,853	291,013
Tiancheng Yongtai	-	(9,402)	(7,051)	(7,051)	(2,186,945)
Tiancheng Yongyuan	-	(9,204)	(6,903)	(6,903)	(1,944,460)

The financial information above are amounts before inter-group elimination.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(3). Subsidiaries with significant Non-controlling interests (Continued)

1. Non-controlling interests from common equity interests (Continued)

b. The cash flow information of subsidiaries above in this year

	Cash Flow for the year ended 31 December 2014				
	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financing activities	Cash and cash equivalents at beginning of the year	Cash and cash equivalents at end of the year
Tianjin Xinyuan	(127,482)	(18)	102	144,063	16,665
Tianjin Xingang	(3,163,872)	(163)	(134,416)	4,911,788	1,613,337
Chengdu Yidu	18,711	(38)	(42,861)	102,147	77,959
Tiancheng Yongtai	(45,816)	(130)	25	50,646	4,725
Tiancheng Yongyuan	(38,126)	-	-	44,834	6,708

	Cash Flow for the year ended 31 December 2013				
	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financing activities	Cash and cash equivalents at beginning of the year	Cash and cash equivalents at end of the year
Tianjin Xinyuan	(9,184)	(255)	2,584	150,918	144,063
Tianjin Xingang	2,352,600	(8)	143,970	2,415,226	4,911,788
Chengdu Yidu	291,013	1,264	(431,130)	241,000	102,147
Tiancheng Yongtai	(2,186,945)	(9,084)	2,246,675	-	50,646
Tiancheng Yongyuan	(1,944,460)	(8,000)	1,997,294	-	44,834

The financial information above are amounts before inter-group elimination.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(3). Subsidiaries with significant Non-controlling interests *(Continued)*

2. Issued equity instruments of the Group

	Attributed to Non-controlling interest in 2014	Dividends distributed in 2014	Non-controlling interest as at 31 December 2014
Senior perpetual securities issued by subsidiary (a)	206,727	253,732	5,012,713
Minsheng Jiayin Assets Management Plan (b) (c)	254,839	254,839	3,925,125
Total	461,566	508,571	8,937,838

- (a) By the end of 31 December 2014, Central Plaza issued a total amount of USD850,000,000 Senior Perpetual Securities. The securities were guaranteed by certain subsidiaries of the Group including IFC. Pursuant to the terms of Perpetual Securities the Group has no contractual obligation to repay its principal or to pay any distribution. The Perpetual Securities do not meet the definition of financial liabilities and should be classified as equity instruments.

Central Plaza as the issuer may elect to defer distribution with no time limitation, the investments can be recognized as dividends to equity owners only if Central Plaza or the Company announce or pay dividend. Including:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(3). Subsidiaries with significant Non-controlling interests *(Continued)*

2. Issued equity instruments of the Group *(Continued)*

(a) *(Continued)*

In April 2013, Central Plaza issued USD400,000,000 (equivalent to RMB2,506,000,000) Senior Perpetual Securities at a distribution rate of 8.375% per annum. According to the terms of Perpetual Securities, the amount of non-controlling interests amounted to RMB2,333,945,000 was recognized after deducting the inevitable dividend payable in the foreseeable future.

In November 2014, Central Plaza issued USD450,000,000 (equivalent to RMB2,759,625,000) Perpetual Securities under the Medium Term Note and Perpetual Securities Programme at a distribution rate of 7.125% per annum. After deducting the issuance costs, the Group received RMB2,728,222,000 and recognized non-controlling interests amounted to RMB2,678,768,000 net of the inevitable dividend payable in the foreseeable future.

- (b) In December 2013, Minsheng Jiayin Asset Management Co., Ltd (hereinafter "Minsheng Jiayin") established specific Asset Management Plan with the scale amounted to RMB2,200,000,000. Among the amount raised except for the secondary priority shares held by the Company, Minsheng Jiayin held senior priority units amounted to RMB1,760,000,000, and Beijing Financial Street International Hotel ("Financial Street") held secondary priority units amounted to RMB250,000,000. Since this Asset Management Plan is a Special Purpose Equity ("SPE") by the Group for financing, it should be consolidated in the financial statement as an SPE.

The Group has the right to pay investors after the Specific Asset Management Plan is established, however, the Group may elect to defer distribution, with no limitation to the times distribution can be deferred only if the Company or assigned subsidiary of the Group does not announce the dividends.

According to the terms of this Specific Asset Management Plan, the Group has no contracted obligation to pay the principal or interests to the investors, thus the investment received complies with the definition of equity instruments and should be classified as non-controlling interest. The Group recognized non-controlling interests amounted to RMB2,010,000,000 at the consolidation level. It may be classified as distribution if the Group announced relative dividends. Subsequent distribution declared will be treated as dividend to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(3). Subsidiaries with significant Non-controlling interests *(Continued)*

2. Issued equity instruments of the Group *(Continued)*

- (c) By the end of 31 December 2014, Minsheng Jiayin established Specific Assets Management Plans which raised a total amount of RMB2,150,000,000. According to the terms of Investment Agreements, the raised funds are subject to no fixed repayment terms. Unless the Company or its assigned subsidiary announces dividend, the Group may elect to defer the distribution with no times limits.

According to the terms of Investment Agreement, the Group has no contracted obligation to pay the principal or interests to other investors under the Specific Assets Management Plans, therefore the investment from the specific capital management plan complied with the definition of equity instrument and was recognized as non-controlling interest in the consolidated level. Subsequent distribution declared will be treated as dividend shareholders, including:

In June 2014, Minsheng Jiayin raised a total amount of RMB1,500,000,000. According to the terms of Investment Agreement, non-controlling interests amounted to RMB1,335,000,000 was recognized after deducting the inevitable dividend payable in the foreseeable future;

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(4). Loss of control caused by disposal of equity interests in subsidiaries

1. Beijing Taihao Shengyuan Real Estate Co., Ltd.

The Group originally held 100% equity interests in Beijing Taihao Shengyuan Real Estate Co., Ltd., (hereinafter "Taihao Shengyuan"), which was incorporated in Beijing, the PRC in February 2014, and the principal activities are property development and sales. In June 2014, the Group disposed of its entire equity interest in Taihao Shengyuan to Zhuhai Hengqin Shouchuang Real Estate Zizhufang Equity Investment Fund (Limited Partnership) (hereinafter "Zhuhai Hengqin Zizhufang Fund") which was established by Zhuhai Hengqin Shouju Chuangxin Equity Investment Fund Co., Ltd. (hereinafter "Zhuhai Hengqin Fund management company") as a general partner. After the transaction, the Group and other independent third-party shareholders jointly control Zhuhai Hengqin Zizhufang Fund and its subsidiary, ie., Taihao Shengyuan.

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

	Amount
Proceeds from disposal	20,000
Cash received from disposal	20,000
Less: Cash held by Taihao Shengyuan	(19,329)
Net cash received from disposal	671

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(4). Loss of control caused by disposal of equity interests in subsidiaries (Continued)

1. Beijing Taihao Shengyuan Real Estate Co., Ltd.

(ii) Net assets of the disposal are as follows:

	Disposal date	31 December 2013
Current assets	739,349	N/A
Non-current assets	170	N/A
Current liabilities	(720,000)	N/A
Non-current liabilities	–	N/A
Net assets	19,519	N/A

(iii) The revenue, expense and loss of Taihao Shengyuan for the period from the incorporated date to the disposal date are as follows:

	Amount
Revenue	–
Less: Cost and expenses	641
Total loss	641
Less: Income tax expenses	(160)
Net loss	481

(iv) Loss on disposal is calculated as follows:

	Amount
Proceeds from disposal	20,000
Less: Net assets of Taihao Shengyuan at the disposal date	(19,519)
Investment income generated from disposal	481

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(4). Loss of control caused by disposal of equity interests in subsidiaries

(Continued)

2. Beijing Litong Shangyi Investment Company Limited

The Group originally held 100% equity interest in Beijing Litong Investment Company Limited ("Beijing Shangyi"), which is incorporated in Beijing, the PRC, and its principal activities are property development and sales. In June 2014, the Group disposed of its entire equity interests in Beijing Shangyi to a third party.

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

	Amount
Proceeds from disposal	150,680
Less: Cash received in previous years	(60,272)
Cash received from disposal	90,408
Less: Cash held by Beijing Shangyi	(12,975)
Net cash received from disposal	77,433

(ii) Net assets of Beijing Shangyi disposed are as follows:

	Disposal date	31 December 2013
Current assets	34,199	5,573
Non-current assets	1,906,846	1,886,819
Current liabilities	(646,363)	(608,148)
Non-current liabilities	(941,232)	(953,732)
Net assets	353,450	330,512

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(4). Loss of control caused by disposal of equity interests in subsidiaries

(Continued)

2. Beijing Shangyi (Continued)

- (iii) The revenue, cost and loss of Beijing Shangyi for the period from 1 January 2014 to the disposal date are as follows:

	Amount
Revenue	–
Less: Cost and expenses	22,938
Total Loss	22,938
Less: Income tax expenses	–
Net Loss	22,938

- (iv) Gain on disposal is calculated as follows:

	Amount
Proceeds from disposal	150,680
Less: Net assets of Beijing Shangyi on disposal date	(353,450)
Reversal from other comprehensive income	513,695
Investment income generated from disposal	310,925

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(4). Loss of control caused by disposal of equity interests in subsidiaries

(Continued)

3. Beijing Wan'an Huixin Investment and Management Co., Ltd., Beijing Jinfu Hongxiang Investment and Management Co., Ltd. and their project companies

The Group originally held 100% equity interest in Beijing Wan'an Huixin Investment and Management Co., Ltd. (hereinafter "Wan'an Huixin"), and Beijing Jinfu Hongxiang Investment and Management Co., Ltd (hereinafter "Jinfu Hongxiang"). Wan'an Huixin and Jinfu Hongxiang originally held 60% and 40% equity interest in Beijing Huayuan Shengxing Real Estate Co.,Ltd. (hereinafter "Huayuan Shengxing") respectively. Wan'an Huixin, Jinfu Hongxiang and Huayuan Shengxing were incorporated in Beijing, the PRC in October 2013, August 2013, and January 2014 respectively, with principal activities in investment management and property development and sales respectively. In June 2014, the Group disposed of its entire equity interests in the Wan'an Huixin, Jinfu Hongxiang and indirectly 100% equity interests in Huayuan Shengxing to a third party.

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

	Amount
Proceeds from disposal	240,183
Cash received from disposal	240,183
Less: Cash held by Wan'an Huixin, Jinfu Hongxiang and Huayuan Shengxing on disposal date	(191)
Net cash received from disposal	239,992

(ii) Net assets of disposals of Wan'an Huixin, Beijing Jinfu Hongxiang and Huayuan Shengxing are as follows:

	Disposal date	31 December 2013
Current assets	258,991	194
Non-current assets	50,000	-
Current liabilities	(380,165)	-
Non-current liabilities	-	-
Net assets	(71,174)	194

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(4). Loss of control caused by disposal of equity interests in subsidiaries (Continued)

3. Beijing Wan'an Huixin Investment and Management Co., Ltd., Beijing Jinfu Hongxiang Investment and Management Co., Ltd. and their project companies (Continued)

- (iii) The revenue, expense and loss of Wan'an Huixin, Jinfu Hongxiang, Huayuan Shengxing for the period from 1 January 2014 to the disposal date are as follows:

	Amount
Revenue	–
Less: Cost and Expenses	71,368
Total Loss	71,368
Less: Income tax expenses	–
Net Loss	71,368

- (iv) Gain on disposal is calculated as follows:

	Amount
Proceeds from disposal	240,183
Less: Net assets of Wan'an Huixin, Jinfu Hongxiang, and Huayuan Shengxing on disposal date	71,174
Investment income generated from disposal	311,357

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(5). Transaction with non-controlling shareholders

1. Tiancheng Yongyuan

In 2014, the Group entered into an agreement with Reco Yanshan Private Limited (hereinafter "Reco Yanshan") that transferred 50% of initial 100% equity of Tiancheng Yongyuan to Reco Yanshan (note 4(1)(3)(ii)).

	Amount
Proceeds from disposal	1,049,087
Net equity disposal on the subsidiary	(994,311)
Increase in capital surplus	54,776

2. Chongqing Xinshi

In 2014, the Group entered into an equity transfer agreement with GIC to purchase 50% equity interests of Chongqing Xinshi held by GIC, at a total consideration of RMB581,774,000. The Group recognized in according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. Chongqing Xinshi became a wholly owned subsidiary of the Group after the transaction.

	Amount
Consideration paid	(581,744)
Net equity of the subsidiary calculated by the additional share proportion from acquisition date	359,522
Decrease in Capital surplus	(222,222)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT (Continued)

(5). Transaction with non-controlling shareholders (Continued)

3. Tianjin Banshan

In 2014, the Group entered into an equity transfer agreement with GIC to purchase 45% equity interests of Tianjin Banshan held by GIC, at a total consideration of RMB224,619,000. The Group recognized an increase in capital surplus 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 Banshan is wholly owned by the Group after the transaction.

	Amount
Consideration paid	(224,619)
Net equity of the subsidiary calculated by the additional share proportion from acquisition date	266,230
Increase in capital surplus	41,611

4. Qingdao Guoxin Yicheng

In 2014, the Group entered into an equity transfer agreement with Jinkaili (Beijing) Investment Co., Ltd. to purchase 49% equity interests of Qingdao Guoxin Yicheng held by Jinkaili, at a total consideration of RMB4,889,000. The Group recognized an increase in capital surplus according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. Qingdao Guoxin Yicheng is wholly owned by the Group after the transaction.

	Amount
Consideration paid	(4,889)
Net assets share of the subsidiary calculated by the additional share proportion from acquisition date	4,383
Decrease in capital surplus	(506)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1). Cash at bank and on hand

	31 December 2014	31 December 2013
Cash on hand	1,490	1,397
Bank deposits	13,761,295	11,250,970
Other cash balances	134,241	87,440
Total	13,897,026	11,339,807

As at 31 December 2014, bank deposits includes supervised advance from customers, security deposits for certain mortgage loans to customers, certain loan and bond interests amounted to RMB3,064,686,000 (31 December 2013: RMB770,285,000). The Group has reclassified the above amount to restricted bank deposits. Including: as at 31 December 2014, the carrying amount of supervised advance from customers was RMB478,360,000 (31 December 2013: RMB327,807,000). According to the requirements of some local authorities (such as Beijing, Tianjin etc.) in the PRC, real estate developers need to open supervised bank account when applying for pre-sale permit for new commercial property. All the advances received from property customers should be transferred to such account. Which are supervised by regulator and all cash payment from such account should coincide with the construction progress in order to ensure the cash being used for property construction on a priority basis. As at 31 December 2014, the carrying amount of security deposits for bond interests was RMB154,934,000 (31 December 2013: RMB152,186,000). As at 31 December 2014, the secured deposits for loan is amounted to RMB2,375,663,000 (31 December 2013: RMB238,666,000).

As at 31 December 2014, other cash balances amounted to RMB134,241,000 are deposit for bank acceptance bill (31 December 2013: RMB87,440,000). The Group has classified such amount to restricted bank deposits.

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

	31 December 2014	31 December 2013
Beijing Urban Construction Design & Development Group Co.,Ltd. ("Chengjian Sheji")(a) – Listed company in Hong Kong	162,863	–
Derivatives(b)	–	43,728
Total	162,863	43,728

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- (a) As at 31 December 2014, the carrying value of investment held by the Group in Chengjian Sheji was RMB162,863,000 (as at 31 December 2013: nil).
- (b) In March 2013, the Group entered into a currency swap contract to swap the three-year loans amounting to RMB2,000,000,000 with a fixed rate of 7.6% to three-year loans amounting to USD326,531,000 with a fixed rate of 6.1%. The currency swap contract is not in compliance with the requirement of hedge accounting. The swap contract was terminated in June 2014.

(3). Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2014	31 December 2013
Accounts receivable	953,333	493,714
Less: provision for doubtful debts	(7,000)	(7,000)
Accounts receivable – net	946,333	486,714

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

The aging of accounts receivable is analyzed as follows:

	31 December 2014	31 December 2013
Within 1 year	671,505	476,078
1 to 2 years	273,438	424
2 to 3 years	129	9,937
Over 3 years	8,261	7,275
Total	953,333	493,714

As at 31 December 2014, accounts receivable amounted to RMB1,261,000 (31 December 2013: RMB275,000) is overdue but not impaired with the aging of over 3 years. Accounts receivable amounted to RMB7,000,000 (31 December 2013: RMB7,000,000) with the aging of three years is overdue and fully impaired at the amount of RMB7,000,000 (31 December 2013: RMB7,000,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

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

(a) Accounts receivable *(Continued)*

The accounts receivable classified by their categories are analyzed as follows:

Client category	31 December 2014	31 December 2013
Primary land development(i)	733,004	349,940
Properties sale	192,470	114,266
Others	27,859	29,508
Total	953,333	493,714

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

(b) Other receivables

	31 December 2014	31 December 2013
Receivables due from Joint ventures (note 8(5)(d))	23,999	103,195
Receivables due from Associates (note 8(5)(d))	84,827	140,447
Land deposit and other guarantee deposits	528,473	362,330
Receivables from primary land development(i)	9,752	1,940,853
Consideration receivables from disposal of subsidiaries	20,503	31,298
Consideration receivable from disposal of an Associate	17,511	17,511
Others	652,133	773,015
Total	1,337,198	3,368,649
Less: provisions for doubtful debts	(41,791)	(41,791)
Other receivables – net	1,295,407	3,326,858

(i) The amount receivables from Land Reserve Centers of Beijing is RMB9,752,000 (31 December 2013: RMB1,940,853,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(b) Other receivables (Continued)

Analysis of other receivables and related provisions for doubtful debts are as follows:

	31 December 2014				31 December 2013			
	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision
Within 1 year	796,936	60	-	-	1,903,899	57	-	-
1 to 2 years	365,842	27	-	-	1,322,170	39	-	-
2 to 3 years	41,374	3	-	-	93,740	3	(8,309)	9
Over 3 years	133,046	10	(41,791)	31	48,840	1	(33,482)	69
Total	1,337,198	100	(41,791)	3	3,368,649	100	(41,791)	1

Analysis of other receivables categories are as follows:

	31 December 2014				31 December 2013			
	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision
Significant individual amount	778,910	58	-	-	2,851,728	85	-	-
Others	558,288	42	(41,791)	7	516,921	15	(41,791)	8
Total	1,337,198	100	(41,791)	3	3,368,649	100	(41,791)	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(4). Advances to suppliers

The advances to suppliers are analyzed as follows:

	31 December 2014	31 December 2013
Prepaid sales commissions	101,692	29,351
Advances to suppliers for land, construction costs and project costs	129,018	58,313
Advances to suppliers for materials and equipment	–	46,335
Total	230,710	133,999

The aging analysis of the advances to suppliers are as follows:

	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total balance %	Amount	% of total balance %
Within 1 year	205,545	89	112,916	84
Over 1 year	25,165	11	21,083	16
Total	230,710	100	133,999	100

(5). Dividends receivable

	31 December 2013	Additions	Reductions	31 December 2014
Xi'an Xinkai	87,422	153,600	(241,022)	–
Tianjin Tonghua Qiangyu Investment and Management Co., Ltd ("Tonghua Qiangyu")	–	24,000	(24,000)	–
Tianjin Xinming Real Estate Co., Ltd. ("Tianjin Xinming")	9,825	–	–	9,825
Total	97,247	177,600	(265,022)	9,825

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6). Inventories

(a) Inventories are classified as follows:

	As at 31 December 2014			As at 31 December 2013		
	Book balance	Provision for inventory	Book value	Book balance	Provisions for inventory	Book value
Properties under development	42,376,968	(258,855)	42,118,113	24,700,215	-	24,700,215
Properties held for sale	6,481,797	(49,539)	6,432,258	4,672,386	-	4,672,386
Land under development	211,392	-	211,392	241,397	-	241,397
Low value consumables	6,349	-	6,349	7,669	-	7,669
Chemical raw materials, work in progress and finished goods	-	-	-	24,817	-	24,817
Total	49,076,506	(308,394)	48,768,112	29,646,484	-	29,646,484

(b) The movement of inventories are as follows:

	31 December 2013	Additions	Reductions	31 December 2014
Costs				
Properties under development	24,700,215	29,887,653	(12,210,900)	42,376,968
Properties held for sale	4,672,386	8,509,744	(6,700,333)	6,481,797
Land under development	241,397	145,423	(175,428)	211,392
Low value consumables	7,669	-	(1,320)	6,349
Chemical raw materials, work in progress and finished goods	24,817	113,360	(138,177)	-
Total	29,646,484	38,656,180	(19,226,158)	49,076,506

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(6). Inventories *(Continued)*

(c) Analysis of provisions of inventories is as follows:

	31 December 2013	Additions	Reductions	31 December 2014
Properties under development	-	258,855	-	258,855
Properties held for sale	-	49,539	-	49,539
Total	-	308,394	-	308,394

In 2014, the properties held for sale with the carrying amount of RMB6,875,761,000 (2013: RMB7,397,686,000) has been recognized as cost of sales.

As at 31 December 2014, the financed costs capitalized in the properties under development amounted to RMB3,013,171,000 (31 December 2013: RMB1,610,817,000). In 2014, the capitalization rate is 7.68% (2013: 8.07%).

As at 31 December 2014, certain land use rights and buildings in properties under development of the Group with a carrying amount of RMB473,270,000 (31 December 2013: nil) have been mortgaged as security for short-term borrowings of RMB497,900,000 (31 December 2013: nil) (note 5(19)(b)).

As at 31 December 2014, certain land use rights in properties under development of the Group with a carrying amount of RMB3,367,583,000 (31 December 2013: Nil) have been mortgaged as security for short-term borrowings of RMB760,000,000 (31 December 2013: Nil) and guaranteed by the Company (note 5(19)(b)).

As at 31 December 2014, certain land use rights in properties under development of the Group with a carrying amount of RMB2,001,237,000 (31 December 2013: nil) have been mortgaged as security for short-term borrowings of RMB900,000,000 (31 December 2013: nil) and pledged by equity of the Group and guaranteed by the Company (note 5(19)(b)).

As at 31 December 2014, certain land use rights and buildings in properties under development of the Group with a carrying amount of RMB850,000,000 (31 December 2013: Nil) have been mortgaged as security for short-term borrowings of RMB400,000,000 (31 December 2013: nil) and pledged by security deposits of RMB200,000,000 (note 5(19)(b)).

As at 31 December 2014, certain buildings in properties held for sale of the Group with a carrying amount of RMB968,902,000 (31 December 2013: RMB187,350,000) have been mortgaged as security for long-term borrowings of RMB521,900,000 (31 December 2013: RMB135,000,000) (note 5(28)(c)).

As at 31 December 2014, certain land use rights in properties under development of the Group with a carrying amount of RMB3,835,991,000 (31 December 2013: RMB3,050,592,000) have been mortgaged as security for long-term borrowings of RMB1,499,160,000 (31 December 2013: RMB1,452,200,000) (note 5(28)(c)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6). Inventories (Continued)

(c) (Continued)

As at 31 December 2014, certain land use rights in properties under development of the Group with a carrying amount of RMB103,108,000 (31 December 2013: RMB1,899,557,000) and income from related real estate development project have been mortgaged as security for long-term borrowings of RMB118,600,000 (31 December 2013: RMB813,457,000) (note 5(28)(c)).

As at 31 December 2014, certain land use right and buildings in properties under development with a carrying amount of RMB1,264,801,000 (31 December 2013: nil) have been mortgaged as security for long-term borrowings of RMB1,287,502,000 (31 December 2013: RMB150,000,000) (note 5(28)(c)).

As at 31 December 2014, certain land use rights in properties under development with a carrying amount of RMB4,247,508,085(31 December 2013: RMB756,192,000) have been mortgaged as security for long-term borrowings of RMB1,937,000,000 (31 December 2013: RMB883,000,000) and guaranteed by the Company (note 5(28)(f)).

As at 31 December 2014, certain buildings in properties under development with a carrying amount of RMB756,513,000(31 December 2013: RMB708,602,000) have been mortgaged as security for long-term borrowings of RMB457,000,000 (31 December 2013: RMB500,000,000) and guaranteed by the Company (note 5(28)(f)).

As at 31 December 2014, certain land use rights and buildings in properties under development with a carrying amount of RMB3,717,374,000(31 December 2013: RMB635,351,000) have been mortgaged as security for long-term borrowings of RMB3,038,100,000 (31 December 2013: RMB502,100,000) and guaranteed by the Group(note 5(28)(f)).

As at 31 December 2014, certain land use rights in properties under development with a carrying amount of RMB328,555,000 (31 December 2013: RMB63,230,000) have been mortgaged as security for long-term borrowings of RMB98,000,000 (31 December 2013: RMB190,000,000) and guaranteed by the Company (note 5(28)(f)).

As at 31 December 2014, certain land use right in properties under development with a carrying amount of RMB583,427,000 (31 December 2013: RMB868,871,000) and corresponding income rights have been pledged as security for long-term borrowings of RMB540,000,000 (31 December 2013: RMB864,538,000) and guaranteed by the Company (note 5(28)(h)).

Analysis of land use rights of inventories by region and age are as follows:

	31 December 2014	31 December 2013
Mainland		
10-50 years	9,291,336	7,491,579
Above 50 years	18,359,858	3,747,704
Total	27,651,194	11,239,283

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(7). Assets classified as held for sale

	31 December 2014	31 December 2013
Cash at bank and on hand(a)	61,051	5,573
Advances to suppliers(a)	5,330	–
Other receivables(a)	3,566	–
Inventories(a)	44,725	–
Fixed assets(a)	43,937	161
Intangible assets(a)	9,242	–
Investment properties(a)	–	1,886,658
Accounts receivable(a)	4,975	–
Long-term equity investments(b)	9,921	9,921
Long-term deferred expenses(a)	18,500	–
Other non-current assets(a)	1,417	–
Total	202,664	1,902,313

(a) In December 2014, the Group entered into an agreement to dispose 100% equity interests in Leadwin Asia Group Limited to a third party. The transaction hasn't been completed by the end of 31 December 2014. The assets of the above disposed subsidiary met the definition of held for sale and were listed on the balance sheet separately.

In December 2013, the Group entered into an agreement to dispose 100% equity interests in Beijing Shangyi. The transaction was completed in June 2014. As at 31 December 2013, the assets of the above disposed subsidiary met the definition of held for sale and were listed on the balance sheet separately.

(b) The Group entered into an equity transfer agreement on 10% share of Hainan Dalecheng Real Estate Development Holding Ltd. (hereinafter "Hainan Dalecheng") with consideration of RMB20,000,000 (note 5(25)). As such transaction has not been completed by the end of 2014, the Group classified the book value of RMB9,921,000 as held for sale assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8). Other current assets

	31 December 2014	31 December 2013
Prepaid taxes	1,819,354	1,113,762
Others	4,395	17,000
Total	1,823,749	1,130,762

(9). Available-for-sale financial assets

	31 December 2014	31 December 2013
Available-for-sale equity instruments – At fair value (a)	13,420	99,258
Available-for-sale equity instruments – At cost (b)	50,000	50,000
Less: Impairment provision	–	–
Less: Available-for-sale financial assets included in other current assets	–	–
Total	63,420	149,258

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(9). Available-for-sale financial assets *(Continued)*

- (a) Available-for-sale financial assets measured at fair value

	31 December 2014	31 December 2013
Listed equity instruments – in Mainland China	13,420	99,258

As at 31 December 2014, the carrying amount of the investment in Yangguang Xinye Real Estate Co., Ltd. (hereinafter “Yangguang Xinye”), a listed company in mainland China, is RMB13,420,000 (31 December 2013: RMB99,258,000). Yangguang Xinye was registered in Nanning, the PRC and engaged in real estate development, leasing of private owned merchandise housing and related advisory services. The ordinary shares of Yangguang Xinye held by the Group is amounted to RMB2,652,210, accounting for 0.36% of the total ordinary shares issued.

- (b) Available-for-sale financial asset measured in cost is mainly the non-listed equity investment held by the Group without active quoted market price and the reasonable estimate for its fair value fluctuated largely while possibility of the estimation cannot be ensured reasonably, hence its fair value cannot be measured reliably. The Group has no dispose plans.

As at 31 December 2014, the Group holds 0.99% of the total shares of CDB Siyuan (Beijing) Investment Fund Ltd. (hereinafter “CDB Siyuan”). therefore the Group doesn’t have significant influence on CDB Siyuan. The largest exposure equals the book value of the shares the Group holds on 31 December 2014, i.e., RMB50,000,000.

The Group does not have a significant influence on above investees which as a result are recorded as available-for-sale financial instruments.

(10). Long-term equity investments

	31 December 2014	31 December 2013
Joint ventures – Non-listed companies (a)	1,464,960	749,228
Associates – Non-listed companies (b)	986,275	1,534,569
Subtotal	2,451,235	2,283,797
Less: Provision for impairment of long-term equity investments	–	–
Net	2,451,235	2,283,797

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10). Long-term equity investments (Continued)

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

(a) Joint ventures

Investments in joint ventures are as follows:

Accounting Method	Investment costs	31 December 2013	Changes in this year					31 December 2014	Equity interest held %	Voting rights held %	Provision for impairment	Impairment provided in current year
			Increase or decrease in investment	Share of net profit/ (losses)	Share of other comprehensive Income	Cash dividend declared	Other equity movement					
Shenyang Jitian Real Estate Co., Ltd. ("Shenyang Jitian")	USD20,000,000	129,597	-	(1,096)	-	-	-	128,501	50	50	-	-
Huzhou Capital Rongcheng Real Estate Co., Ltd. ("Huzhou Rongcheng") (note 4(2))	RMB55,000,000	23,780	(23,274)	(506)	-	-	-	-	N/A	N/A	-	-
Beijing Capital Chaoyang Investment Co., Ltd. ("Chaoyang Investment")	RMB50,000,000	4,287	-	(197)	-	-	-	4,090	50	50	-	-
Beijing Wanzhu Real Estate Co., Ltd. ("Beijing Wanzhu")(i)	RMB25,500,000	20,646	-	32,503	-	-	-	53,149	30	30	-	-
Capital Jiaming New Town Investment Co., Ltd. ("Capital Jiaming")(ii)	RMB175,000,000	168,401	-	(659)	-	-	-	167,742	35	35	-	-
Tianjin Halebury International School ("International School")(iii)	RMB4,500,000	1,779	-	(1,779)	-	-	-	-	45	40	-	-
Tonghua Qiangyu(iv)	RMB4,000,000	5,540	-	27,202	-	(24,000)	-	8,742	40	40	-	-
Kunshan Chuangbo Fund(v)	RMB162,970,000	160,586	(345,166)	184,580	-	-	-	-	16.4	40	-	-
Zhuhai Hengqin Fund Management company(vi)	RMB4,000,000	3,934	-	(2)	-	-	-	3,932	40	40	-	-
Zhuhai Hengqin Fund(vii)	RMB240,000,000	230,678	-	10,469	-	-	-	241,147	28.24	40	-	-
Zhuhai Hengqin Zizhuang Fund(viii)	RMB81,000,000	-	81,000	(136)	-	-	-	80,864	10	40	-	-
Zhuhai Hengqin Ruiyuan Jialing Fund(ix)	RMB456,000,000	-	456,000	(30)	-	-	-	455,970	46.9	40	-	-
Liujin Real Estate Co., Ltd. ("Liujin Real Estate")(x)	RMB320,000,000	-	320,000	823	-	-	-	320,823	40	40	-	-
Total		749,228	488,560	251,172	-	(24,000)	-	1,464,960			-	-

(i) 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 is recognized as a joint venture.

(ii) The Group acquired 35% equity interest in Capital Jiaming by capital injection. However, according to the Articles of Association, the Group and other shareholders jointly control Capital Jiaming, therefore it is recognized as a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10). Long-term equity investments (Continued)

(a) Joint ventures (Continued)

- (iii) The net assets of International School are negative due to continuous losses in the past years. As the Group does not have the obligation to bear the additional losses beyond the share, the Group recognizes the carrying value of the long-term equity investment at zero other than negative. In 2014, the unrecognized investment losses amounted to RMB4,333,000 (2013: nil). As at 31 December 2014, the accumulated investment losses that are not recognized amounted to RMB4,333,000 (31 December 2013: nil).
- (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 recognized as a joint venture.
- (v) Kunshan Chuangbo Fund was a limited partnership established by Kunshan Chuangbo Shengtuo Fund Management Company, a wholly owned subsidiary of Tonghua Qiangyu, as the general partner. The Company holds 16.4% of the subordinated units in Kunshan Chuangbo Fund, and 40% voting rights in the investment strategy committee. In November 2014, Kunshan Chuangbo Fund liquidated its assets. The Group has retrieved all its subordinated investments and earnings.
- (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 recognized as a joint venture.
- (vii) Zhuhai Hengqin Fund is a limited partnership established by Zhuhai Hengqin Fund Management Company as general partner. The Company holds 28.24% of the intermediate units in ZhuhaiHengqin Fund. The Fund holds 100% equity interests in Chongqing Shouyong Real Estate Co., Ltd. (hereinafter "Shouyong Real Estate"). Zhuhai Hengqin Fund is a structured entity not in combination, with total scale of 850,000,000 shares and total amount of RMB850,000,000. The Group's most significant risk exposure in the Fund is the book value of investment at balance sheet date amounting to RMB240,000,000. The Group has no duty or purpose to offer financial support to the Fund. According to the partnership agreement, the Group jointly control the investment and operational strategy of Zhuhai Hengqin Fund and Shouyong Real Estate with other shareholders, therefore it is classified as a joint venture. 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 to Shouyong Real Estate, 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 clearing dates and the settlement date of the fund, the distribution order is as follows: senior limited partners and intermediate limited partners 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 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10). Long-term equity investments (Continued)

(a) Joint ventures (Continued)

- (viii) Zhuhai Hengqin Zizhufang Fund is a limited partnership established by Zhuhai Hengqin Fund Management Company as general partner. The Company holds 10% of the intermediate units in Zhuhai Hengqin Fund. The Fund holds 100% equity interests in Chongqin Shouyong Real Estate Co., Ltd. (hereinafter "Shouyong Real Estate"). Zhuhai Hengqin Zizhufang Fund is a structured entity not in combination, with total scale of 810,000,000 shares and total amount of RMB810,000,000. The Group's most significant risk exposure in the Fund is the book value of investment at balance sheet date amounting to RMB81,000,000. The Group has no duty or purpose to offer financial support to the Fund. According to the partnership agreement of Zhuhai Hengqin Zizhufang 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 Zizhufang Fund to Taihao Shengyuan, the profits of the real estate development projects held by Taihao Shengyuan, and the proceeds from disposal of equity interests in Taihao Shengyuan. Zhuhai Hengqin Fund Management Company has the right to determine the distribution plan of Zhuhai Hengqin Zizhufang Fund as the executive partner. At the clearing dates and the settlement date of the fund, the distribution order is as follows: priority limited partners can have 10.04% expected fixed earnings; intermediate limited partners can have 10% expected fixed earnings; priority limited partners enjoy distributing initial investment and expected earnings firstly, after which distribute initial investment and expected earnings to intermediate limited partners, and distribute initial investment to subordinated limited partners; then distribute initial investment to general partners; finally, if Zhuhai Hengqin Zizhufang Fund has excess distributable earnings after the above distributions, the fund should distribute the excess earnings to the partners based on the agreed portion of the partnership agreement.
- (ix) Zhuhai Hengqin Ruiyuan Jialing Fund is a limited partnership established by Zhuhai Hengqin Fund Management Company as general partner. The Company holds 20.73% of the intermediate units in Zhuhai Hengqin Ruiyuan Jialing Fund. Zhuhai Hengqin Ruiyuan Jialing Fund holds 100% equity interests in Chongqin Shouhui Real Estate Co., Ltd. (hereinafter "Shouhui Real Estate"). Zhuhai Hengqin Ruiyuan Fund is a structured entity not in combination, with total scale of 2,200,000,000 shares and total amount of RMB2,200,000,000. The Group's most significant risk exposure in the Fund is the book value of investment at balance sheet date amounting to RMB456,000,000. The Group has no duty or purpose to offer financial support to the Fund. According to the partnership agreement, the Group jointly controls the investment and operational strategy of Zhuhai Hengqin Ruiyuan Jialing Fund and Shouhui Real Estate with other shareholders, thus it has been classified as joint venture. According to the partnership agreement of Zhuhai Hengqin Ruiyuan Jialing 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 to Shouyong Real Estate, the profits of the real estate development projects held by Shouyong Real Estate, and the proceeds from transfer 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 clearing 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.
- As at 31 December 2014, as senior partners have not complete their capital contribution, the Group holds 46.9% of the actual contribution.
- (x) The Group holds 40% equity interests in Liujin Real Estate. According to the Articles of Association of Tonghua Qiangyu, the Company and other shareholders share the control over Liujin Real Estate, therefore it is recognized as a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10). Long-term equity investments (Continued)

(b) Associates

Long-term investments in associates are as follows:

Accounting Method	Investment costs	Changes in this Period						31 December 2014	Equity interest held %	Voting rights held %	Provision for impairment	Impairment provided in current year
		31 December 2013	Increase or decrease in investment	Share of net profit/(losses)	Share of other comprehensive Income	Cash dividend declared	Other equity movement					
Beijing GoldenNet Property Investment Adviser ("GoldenNet")(i)	RMB700,000	6,949	-	(45)	-	-	-	6,904	14	14	-	-
Beijing Sunshine city Commercial Investment Co. Ltd. ("Sunshine City")	RMB25,267,000	155,120	-	4,457	-	-	-	159,577	35	35	-	-
Shenyang Capital Real Estate Co. Ltd. ("Shenyang Xinzi")	USD27,750,000	230,780	-	28,641	-	-	760	260,161	30	30	-	-
Tianjin Xinqing Real Estate Co. Ltd. ("Tianjin Xinqing")	USD38,000,000	260,616	-	3,912	-	-	202	264,730	40	40	-	-
Tianjin Xinming	USD38,000,000	270,520	-	7,829	-	-	14	278,363	40	40	-	-
Financial Street(ii)	USD3,384,000	-	-	-	-	-	-	-	59.5	33	-	-
Xi'an Xinkai(note 4(2))	USD66,000,000	592,065	(512,345)	75,625	-	(153,600)	(1,745)	-	N/A	N/A	-	-
Beijing outlets Chuangxin business management Co. Ltd ("Outlets Chuangxin")	RMB3,800,000	602	-	(1)	-	-	-	601	38	38	-	-
Capital Qinglv Culture Tourism (Kunshan) Co., Ltd. ("Capital Qinglv Culture")	RMB4,900,000	17,917	-	(1,998)	-	-	-	15,919	49	49	-	-
Speed Plus Investments Limited ("Speed Plus")(iii)	USD37	-	-	-	-	-	-	-	37	37	-	-
King Future Limited ("King Future")(iv)	USD4	-	-	-	-	-	-	-	N/A	N/A	-	-
		1,534,569	(512,345)	118,420	-	(153,600)	(769)	986,275			-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10). Long-term equity investments (Continued)

(b) Associates (Continued)

- (i) The Company has significant influence 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 in Financial Street both directly and indirectly and enjoys 34% profit of Financial Street. The Group has minority seats in the board of directors, which is responsible for the financial decisions in the ordinary course of business, and therefore this company is classified as an associate.

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, the Group recognizes the carrying value of the long-term equity investment at zero other than negative. In 2014, the un-recognized investment loss amounted to RMB9,650,000 (2013: RMB21,049,000). As at 31 December 2014, the accumulated investment losses that are not recognized amounted to RMB51,803,000 (31 December 2013: RMB42,153,000).

- (iii) The net assets of Speed Plus 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 recognizes the carrying value of the long-term equity investment at zero other than negative. In 2014, the un-recognized investment loss amounted to RMB39,000 (2013: nil). As at 31 December 2014, the accumulated investment losses that are not recognized amounted to RMB39,000 (31 December 2013: nil).
- (iv) In 2014, a subsidiary of the Group entered into an agreement with a third party that dispose 40% equity interests in King Future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(11). Investment in joint ventures and associates

(a) Basic information of significant Joint ventures and Associates

	Business type	Place of main operation	Place of registration	Legal representative	Nature of business	Strategic to the Group's operation	Registered capital	Shared Interest	Voting right
Joint ventures-									
Shenyang Jitian	Limited Company	Shenyang	Shenyang	Hu Weimin	Real Estate Development and Sales	Yes	USD 20,000,000	50%	50%
Capital Jianning	Limited Company	Beijing	Beijing	Hu Weimin	Land Primary Development and Sales	Yes	RMB 175,000,000	35%	35%
Zhuhai Hengqin Fund	Limited Partnership	Zhuhai	Zhuhai	N/A	Investment Management	Yes	RMB 850,000,000	28.24%	40%
Zhuhai Hengqin Zizhufang Fund	Limited Partnership	Zhuhai	Zhuhai	N/A	Investment Management	Yes	RMB 810,000,000	10%	40%
Ruiyuan Jialing Fund	Limited Partnership	Zhuhai	Zhuhai	N/A	Investment Management	Yes	RMB 972,280,000	20.73%	40%
Liujin Real Estate	Limited Company	Beijing	Beijing	Sun Baojie	Land Primary Development and Sales	Yes	RMB 800,000,000	40%	40%
Associates-									
Yangguangyuan	Limited Company	Beijing	Beijing	Yang Ning	Investment Management	No	RMB 72,190,000	35%	35%
Shenyang Xinzi	Limited Company	Shenyang	Shenyang	Cao Yue	Real Estate Development and Sales	Yes	USD 92,500,000	30%	30%
Tianjin Xinqing	Limited Company	Tianjin	Tianjin	Qin Yi	Real Estate Development and Sales	Yes	USD 95,000,000	40%	40%
Tianjin Xinming	Limited Company	Tianjin	Tianjin	Wang Wei	Real Estate Development and Sales	Yes	USD 95,000,000	40%	40%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11). Investment in joint ventures and associates (Continued)

(b) Key financial information of significant joint ventures

	Shenyang Jitian		Capital Jiayang		Kunshan Chuangbo Fund		Zhuhai Hengqin Fund		Zhuhai Hengqin Zihufang Fund		Zhuhai Hengqin Ruiyuan Jialing Fund		Liujin Real Estate	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Cash at bank and on hand	7,846	7,504	126,682	233,526	N/A	323,343	297,620	286,008	484,580	N/A	354	N/A	821,727	N/A
Other current assets	1,564,374	1,475,741	1,542,920	1,097,247	N/A	3,343,805	2,254,023	1,148,129	2,014,638	N/A	951,780	N/A	7,370	N/A
Current assets	1,572,220	1,483,245	1,669,602	1,330,773	N/A	3,667,148	2,551,643	1,434,137	2,499,218	N/A	952,134	N/A	829,097	N/A
Non-current assets	9,752	9,201	5,350	4,809	N/A	464	133	6,067	408	N/A	20,000	N/A	594	N/A
Accounts payable	24,545	23,673	-	-	N/A	169,043	193,191	60,446	28,679	N/A	-	N/A	-	N/A
Other liabilities	1,297,006	1,206,159	192,941	80,245	N/A	1,914,505	1,276,112	277,363	1,182,305	N/A	-	N/A	36,649	N/A
Current liabilities	1,321,551	1,229,832	192,941	80,245	N/A	2,083,548	1,469,303	337,809	1,210,984	N/A	-	N/A	36,649	N/A
Non-current liabilities	-	-	998,000	769,443	N/A	643,100	245,000	300,000	480,000	N/A	-	N/A	-	N/A
Net assets	260,421	262,614	484,011	485,894	N/A	940,964	837,473	802,395	808,642	N/A	972,134	N/A	793,042	N/A
Interest in joint ventures	50%	50%	35%	35%	N/A	16.40%	28.24%	28.24%	10%	N/A	46.90%	N/A	40%	N/A
Equity attributable to the shareholder (i)	130,211	131,307	169,404	170,063	N/A	154,318	236,502	226,596	80,864	N/A	455,970	N/A	317,217	N/A
Reconciliation items (ii)	(1,710)	(1,710)	(1,662)	(1,662)	N/A	6,268	4,645	4,082	-	N/A	-	N/A	3,606	N/A
Provision for impairment	-	-	-	-	-	-	-	-	-	N/A	-	N/A	-	N/A
Long-term equity investments	128,501	129,597	167,742	168,401	N/A	160,586	241,147	230,678	80,864	N/A	455,970	N/A	320,823	N/A

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11). Investment in joint ventures and associates (Continued)

(b) Key financial information of significant joint ventures (Continued)

	Shenyang Jitian		Capital Jiaming		Kunshan Chuangbo Fund		Zhuhai Hengqin Fund		Zhuhai Hengqin Zizhufang Fund		Zhuhai Hengqin Ruiyuan Jialing Fund		Liujiu Real Estate	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Revenue	8,784	(1,703)	-	-	133,558	-	-	N/A	-	N/A	-	N/A	-	N/A
Depreciation and amortization	(210)	(240)	(104)	-	(60)	(34)	(18)	N/A	-	N/A	-	N/A	-	N/A
Interest income	23	-	-	-	427	52,723	50,813	N/A	563	N/A	12	N/A	543	N/A
Interest expense	(16)	5	-	181	(13,159)	-	(3)	N/A	(193)	N/A	-	N/A	-	N/A
Total (losses)/profit	(2,918)	(1,559)	(2,511)	(5,756)	515,049	(8,238)	49,475	N/A	(1,759)	N/A	64	N/A	2,746	N/A
Income taxes	727	386	628	-	-	(6,301)	(12,397)	N/A	400	N/A	-	N/A	(687)	N/A
Net (losses)/profit	(2,191)	(1,173)	(1,883)	(5,756)	515,049	(14,539)	37,078	N/A	(1,359)	N/A	64	N/A	2,059	N/A
Other comprehensive income	-	-	-	-	-	-	-	N/A	-	N/A	-	N/A	-	N/A
Total comprehensive (loss)/income	(2,191)	(1,173)	(1,883)	(5,756)	515,049	(14,539)	37,078	N/A	(1,359)	N/A	64	N/A	2,059	N/A
Dividends from joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-

- (i) The accounting policies of joint ventures are the same with the Group. The Group, based on the amount assigned to the Company in the consolidated financial statements of joint ventures, calculates asset share in proportion to the number of shares owned. The amount in the consolidated financial statements of joint ventures has taken the fair value of identifiable asset and liability of the investee joint venture into consideration.
- (ii) Adjustments include the elimination of unrealized profit between the Group and the joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11). Investment in joint ventures and associates (Continued)

(c) Key financial information of significant associates

The key financial information of the significant associates of the Group are as follows:

	Yangguangyuan		Shenyang Xinzi		Tianjin Xinqing		Tianjin Xinming		Xi'an Xinkai	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Cash at bank and on hand	1,332	6,658	54,049	52,205	4,461	20,537	26,788	88,028	N/A	471,119
Other current assets	383,539	380,593	1,396,959	1,774,131	688,146	957,422	900,161	1,025,873	N/A	3,493,764
Current assets	384,871	387,251	1,451,008	1,826,336	692,607	977,959	926,949	1,113,901	N/A	3,964,883
Non-current assets	819,362	803,340	114	301	1	6	1	1	N/A	340
Accounts payable	15,554	15,047	221,504	166,441	19,185	106,283	41,702	104,850	N/A	235,176
Other financial liabilities	-	4,000	-	-	-	-	-	-	N/A	48,000
Other liabilities	30,390	20,168	73,295	599,344	10,412	218,451	183,407	169,684	N/A	1,717,014
Current liabilities	45,944	39,215	294,799	765,785	29,597	324,734	225,109	274,534	N/A	2,000,190
Non-current liabilities	700,769	706,589	279,000	279,000	-	-	-	157,100	N/A	455,450
Net assets	457,520	444,787	877,323	781,852	663,011	653,231	701,841	682,268	N/A	1,509,583
Interest in joint ventures	35%	35%	30%	30%	40%	40%	40%	40%	N/A	40%
Equity attributable to the shareholder (i)	160,132	155,675	263,197	234,556	265,204	261,292	280,736	272,907	N/A	603,833
Reconciliation items (ii)	(555)	(555)	(3,016)	(3,776)	(474)	(676)	(2,373)	(2,387)	N/A	(11,768)
Provision for impairment	-	-	-	-	-	-	-	-	N/A	-
Long-term equity investments	159,577	155,120	260,181	230,780	264,730	260,616	278,363	270,520	N/A	592,065

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11). Investment in joint ventures and associates (Continued)

(c) Key financial information of significant associates (Continued)

	Yangguangyuan		Shenyang Xinzi		Tianjin Xinqing		Tianjin Xinming		Xi'an Xinkai	
	2014	2013	2014	2013	2014	2013	2014	2013	For the nine months period ended 30 September 2014	2013
Revenue	50,721	50,120	676,277	612,510	123,143	608,794	237,150	502,195	1,160,532	1,284,990
Depreciation and amortization	(15,870)	(15,408)	(216)	(232)	(4)	(4)	-	-	(140)	(210)
Interest income	-	-	128	197	119	757	285	415	3,242	-
Interest expenses	(39,554)	(37,037)	(38)	(66)	(26)	(982)	(65)	(117)	(1,560)	(355)
Total profit	20,005	31,433	127,294	119,651	13,041	2,152	26,097	1,364	250,963	312,636
Income taxes	(7,270)	12,046	(31,824)	(29,913)	(3,260)	(538)	(6,524)	(341)	(61,900)	(78,881)
Net profit	12,735	43,478	95,470	89,738	9,781	1,614	19,573	1,023	189,063	233,755
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	12,735	43,478	95,470	89,738	9,781	1,614	19,573	1,023	189,063	233,755
Dividends from associates	-	-	-	-	-	-	-	-	153,600	-

- (i) The accounting policies of associates are the same with the Group. The Group, based on the amount assigned to the Company in the consolidated financial statements of associates, calculates asset share in proportion to the number of shares owned. The amount in the consolidated financial statements of associates has taken the fair value of identifiable net asset and liability of the investee associates into consideration.
- (ii) Adjustments include the eliminations of unrealized profit between the Group and the associates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11). Investment in joint ventures and associates (Continued)

(d) Summary information of insignificant joint ventures and associates

	2014	2013
Joint ventures:		
Total amount of investment book value in as at 31 December	69,913	59,966
Total amount of accounts below in proportion to equity held		
Net income(i)	162,053	(54,886)
Other comprehensive income(i)	-	-
Total amount of comprehensive income	-	-
Associates:		
Total amount of investment book value as at 31 December	23,424	25,468
Total amount of accounts below in proportion to equity held		
Net income(i)	(38,976)	(65,293)
Other comprehensive income(i)	-	-
Total amount of comprehensive income	-	-

- (i) The accounting policies of joint ventures and associates are the same with the Group. Net income and other comprehensive income have taken into consideration the fair value of identifiable assets and liabilities when investment is obtained and the influence of uniform accounting policy.

(12). Investment properties

	31 December 2014	31 December 2013
Investment properties measured at cost (a)	3,574,184	524,791
Investment properties subsequently measured at fair value model (b)	3,651,074	2,963,918
Less: Provision for impairment of investment properties	-	-
Total	7,225,258	3,488,709

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(12). Investment Properties *(Continued)*

(a) Investment properties measured at cost

	Buildings	Land use Rights	Total
Cost			
31 December 2013	314,931	246,107	561,038
Additions	280,512	303,957	584,469
Transferred from inventories(i)	271,747	2,521,485	2,793,232
Measured at fair value this year	(278,983)	(41,763)	(320,746)
31 December 2014	588,207	3,029,786	3,617,993
Accumulated depreciation and amortization			
31 December 2013	–	(36,247)	(36,247)
Depreciation and amortization	–	(7,562)	(7,562)
31 December 2014	–	(43,809)	(43,809)
Provision for impairment			
31 December 2013	–	–	–
Increase	–	–	–
Decrease	–	–	–
31 December 2014	–	–	–
Net book value			
31 December 2014	588,207	2,985,977	3,574,184
31 December 2013	314,931	209,860	524,791

- (i) In 2014, some subsidiaries adopt a resolution that turns properties under development to operating lease held for long-term. The initial cost of the investment property is the book value in the transaction date amounted to RMB2,793,232,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12). Investment Properties (Continued)

(a) Investment properties measured at cost (Continued)

As at 31 December 2014, investment properties listed above are still under construction of which the fair value cannot be reliably determined, but is expected that will be measured reliably after the completion. Therefore the Group measured such investment properties at cost, and the amortization of the land use rights amount to RMB7,562,000 has been capitalized by 31 December 2014 (31 December 2013: RMB4,319,000).

The Group does not hold properties under short-term, mid-term or long-term lease contracts.

Land use right in the investment properties is analyzed by location and age as follows:

	31 December 2014	31 December 2013
Mainland China		
10-50 years	2,985,977	209,860
above 50 years	-	-
Hong Kong		
10-50 years	-	-
above 50 years	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(12). Investment Properties *(Continued)*

(b) Investment properties subsequently measured at fair value model

	Buildings and Land use right
<hr/>	
Cost	
31 December 2013	2,075,382
Transferred from cost model	320,746
Additions	24,087
Disposals	(6,142)
<hr/>	
31 December 2014	2,414,073
<hr/>	
Changes in fair value	
31 December 2013	888,536
Gains on changes in fair value (note 5(43))	351,867
Decrease	(3,402)
<hr/>	
31 December 2014	1,237,001
<hr/>	
Carrying amount	
31 December 2014	3,651,074
<hr/>	
31 December 2013	2,963,918
<hr/>	

As at 31 December 2014, certain investment properties amounted to RMB1,657,193,000 (31 December 2013: RMB1,642,527,000) have been pledged for long-term borrowings of RMB570,000,000 (31 December 2013: RMB612,500,000) (note 5(28)(c)).

As at 31 December 2014, certain investment properties amounted to RMB984,402,000 (31 December 2013: RMB769,030,000) have been pledged for long-term borrowings of RMB160,000,000, which is also guaranteed by the Company (31 December 2013: RMB200,000,000) (note 5(28)(f)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13). Fixed Assets

	Buildings	Motor vehicles	Office equipment	Machinery and equipment	Total
Cost					
31 December 2013	707,411	59,336	44,077	72,480	883,304
Increase	16,714	5,430	11,836	281	34,261
– Purchase	16,714	5,338	11,504	281	33,837
– Business combination	–	92	332	–	424
Decrease	(33,699)	(3,193)	(804)	(72,761)	(110,457)
– Dispose and retirement	(27)	(2,496)	(416)	(199)	(3,138)
– Classified as held for sale(note 5(7))	(33,672)	(697)	(388)	(72,562)	(107,319)
31 December 2014	690,426	61,573	55,109	–	807,108
Accumulated depreciation					
31 December 2013	(270,287)	(39,729)	(35,383)	(34,270)	(379,669)
Increase	(21,120)	(7,510)	(6,890)	(3,677)	(39,197)
– Accrument	(21,120)	(7,510)	(6,890)	(3,677)	(39,197)
Decrease	9,733	2,794	749	37,947	51,223
– Dispose and retirement	–	2,329	411	–	2,740
– Classified as held for sale(note 5(7))	9,733	465	338	37,947	48,483
31 December 2014	(281,674)	(44,445)	(41,524)	–	(367,643)
Provision for impairment					
31 December 2013					
Increase (note 5(18))	–	–	–	(14,899)	(14,899)
– Classified as held for sale (note 5(7))	–	–	–	14,899	14,899
31 December 2014	–	–	–	–	–
Net book value					
31 December 2014	408,752	17,128	13,585	–	439,465
31 December 2013	437,124	19,607	8,694	38,210	503,635

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(13). Fixed Assets *(Continued)*

As at 31 December 2014, certain buildings with net value of RMB335,774,000 (cost of RMB601,431,000) (31 December 2013: RMB353,536,000, cost of RMB601,431,000) have been pledged for long-term borrowings of RMB635,000,000 (31 December 2013: RMB327,408,000) (note 5(28)(f)), which are also guaranteed by the Company.

In 2014, depreciation expense charged in cost of sales amounted to RMB17,761,000 and in administrative expenses amounted to RMB21,436,000 (2013: RMB25,825,000 and RMB15,426,000).

(14). Intangible Assets

	Original cost	31 December 2013	Increase	Amortization	Classified as held for sale	31 December 2014	Accumulated amortization
Land use rights	68,907	52,017	-	(3,214)	(9,242)	39,561	(13,439)
Less: Provision for impairment	-	-	-	-	-	-	-
Total	68,907	52,017	-	(3,214)	(9,242)	39,561	(13,439)

In 2014, the amortization of intangible assets amounted to RMB3,214,000 (2013: RMB1,046,000); in which, RMB3,214,000 (2013: RMB1,046,000) has been recognized in the income statement.

As at 31 December 2014, long-term borrowings of RMB635,000,000 (31 December 2013: RMB327,408,000) (note 5(28)(f)) is secured by the mortgage of certain land use rights with net value of RMB39,561,000 (cost of RMB52,283,000) (31 December 2013: net value of RMB40,605,000, cost of RMB52,283,000).

The land use rights analyzed by location and terms are as follows:

	31 December 2014	31 December 2013
Mainland China 10-50 years	39,561	52,017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15). Long-term receivables

	31 December 2014	31 December 2013
Receivables due from associates (note 8(5)(b))	308,227	292,380
Debt investments(a)	238,745	–
Receivables for primary land development	–	768,512
Others	15,052	–
Subtotal	562,024	1,060,892
Less: Long-term receivables due within one year	–	(768,512)
Total	562,024	292,380

- (a) The balance is the principle and interest of the AUD debt investment in Australia real estate project. Of which principle amounted to AUD15,100,000 (equivalent to RMB75,763,000) and the interest will be matured on 31 August 2016 with an expected annual interest rate of 19%, principle amounted to AUD29,395,000 (equivalent to RMB147,486,000) and the interest will be matured on 31 January 2018 with an expected annual interest rate of 20%.

(16). Goodwill

	31 December 2013	Additions	Disposals	31 December 2014
Goodwill				
Juda International	172,137	–	–	172,137
Less: provision for impairment	–	–	–	–
Net	172,137	–	–	172,137

Goodwill listed above was generated from the acquisition of Juda International, as a result of expected economic effect of integrating and expanding the domestic and foreign financial platform of the Group and Juda International. The goodwill is mainly attribute to listing platform of Juda International and its business. As at 31 December 2014, according to the recoverable amount of Juda International's assets group, there is no need to make provision for goodwill listed above. Of which, the recoverable amount is calculated based on the market value of listed companies of Juda International.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(17). Derivative financial assets

	31 December 2014	31 December 2013
Financial derivative liabilities		
Forward foreign exchange contracts – cash flow hedges	3,452	–
Total	3,452	–

To hedge the risk of two AUD debt investments(note 5(15)(a)), the Group entered into AUD forward contract amounted to AUD21,700,000 with maturity date on 1 August 2018 and AUD forward contract amounted to AUD52,080,000 with maturity date on 31 January 2018.

(18). Provisions for impairment of assets

	31 December 2013	Additions	Reductions		31 December 2014
			Through reversal	Through realization	
Provisions for doubtful debts	48,791	–	–	–	48,791
including:					
accounts receivable	7,000	–	–	–	7,000
other receivables	41,791	–	–	–	41,791
Provisions for inventories	–	308,394	–	–	308,394
Provisions for held for sale assets	–	14,899	–	–	14,899
Total	48,791	323,293	–	–	372,084

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19). Short-term borrowings

	Currency	31 December 2014	31 December 2013
Trust loans(a)	RMB	550,000	996,000
Bank loans(b)	RMB	4,886,900	83,976
	USD	211,105	294,939
	HKD	12,070	–
Total		5,660,075	1,374,915

(a) Trust loans

As at 31 December 2014, short-term borrowings of RMB400,000,000 (31 December 2013: nil) are secured by the pledge of 100% equity of the subsidiary of the Company and guaranteed by the Company.

As at 31 December 2014, short-term borrowings of RMB150,000,000 (31 December 2013: nil) are guaranteed by the Company.

(b) Bank loans

As at 31 December 2014, short-term borrowings of RMB200,000,000 (31 December 2013: nil) are unsecured loan of the Company.

As at 31 December 2014, short-term borrowings denominated in HKD equivalent to RMB12,070,000 (31 December 2013: nil) are unsecured loan of the Group.

As at 31 December 2014, short-term borrowings of RMB29,000,000 (31 December 2013: nil) are guaranteed by the Company.

As at 31 December 2014, short-term borrowings of RMB400,000,000 (31 December 2013: nil) are secured by the mortgage of certain land use rights and buildings in properties under development of the Group and by the pledge of security deposits.

As at 31 December 2014, short-term borrowings of RMB760,000,000 (31 December 2013: nil) are guaranteed by the Company and secured by the mortgage of certain land use rights.

As at 31 December 2014, short-term borrowings of RMB2,100,000,000 (31 December 2013: nil) are secured by the pledge of certain bank deposit of the subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(19). Short-term borrowings *(Continued)*

(b) Bank loans *(Continued)*

As at 31 December 2014, short-term borrowings of RMB497,900,000 (31 December 2013: nil) are secured by the mortgage of certain land use rights in properties under development and buildings of the Group.

As at 31 December 2014, short-term borrowings denominated in USD equivalent to RMB211,105,000 (31 December 2013: RMB212,021,000) are secured by the pledge of certain bank deposit of the Group.

As at 31 December 2014, short-term borrowings of RMB900,000,000 (31 December 2013: nil) are secured by the mortgage of certain land use rights in properties under development of the Group and by the pledge of 100% equity of the subsidiary of the Company with guaranteed provided by the Company.

In 2014, the weighted average interest of short-term borrowings is 8.99% (2013: 10.01%).

(20). Accounts payable

The aging analysis of accounts payable is as follows:

	31 December 2014	31 December 2013
Within 1 year	2,154,123	2,471,665
Over 1 year	1,895,395	1,331,731
Total	4,049,518	3,803,396

(21). Advances from customers

	31 December 2014	31 December 2013
Advances from sales of properties under development (i)	11,606,650	6,983,944
Hotel advances	13,321	17,909
Total	11,619,971	7,001,853

(i) Advances from sales of properties under development are amounts proceed from customers. As such properties are not available for use at the end of the year, corresponding revenue was not recognized.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22). Employee benefits payable

	31 December 2014	31 December 2013
Short-term employee benefits payable	207,097	135,170
Defined contribution plans payable	2,698	2,741
Total	209,795	137,911

(a) Short-term employee benefits payable

	31 December 2013	Increase	Decrease	31 December 2014
Wages and salaries, bonuses, allowances and subsidies	49,775	343,345	(315,917)	77,203
Staff welfare	126	1,526	(1,175)	477
Social security contributions	1,221	14,669	(14,627)	1,263
Including: Medical insurance premiums	946	12,422	(12,348)	1,020
Work injury insurance	87	1,059	(1,047)	99
Maternity insurance	188	1,188	(1,232)	144
Housing funds	982	18,379	(18,484)	877
Labour union funds and employee education funds	7,460	3,394	(3,512)	7,342
Profit-sharing plan	45,963	50,000	-	95,963
Director's emoluments	28,486	11,150	(17,020)	22,616
Other	1,157	2,047	(1,848)	1,356
Total	135,170	444,510	(372,583)	207,097

As at 31 December 2014, there is no default payment in employee benefits, and the balance will be paid in 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(22). Employee benefits payable *(Continued)*

(b) Defined contribution plans payable

	31 December 2013	Increase	Decrease	31 December 2014
Basic social pension security	2,264	29,996	(29,903)	2,357
Annuity	335	1,524	(1,634)	225
Unemployment security	142	1,889	(1,915)	116
Total	2,741	33,409	(33,452)	2,698

(23). Taxes payable

	31 December 2014	31 December 2013
Enterprise income tax payable	769,103	594,130
Land appreciation tax payable	1,484,184	1,627,007
Business tax payable	205,854	252,582
Others	23,450	45,317
Total	2,482,591	2,519,036

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(24). Dividends payable

	31 December 2014	31 December 2013
Reco Ziyang	802,124	262,833
Beijing Jiayuan Hongye Investment and Management Co., Ltd.	–	21,753
Beijing Zhongnan Xingye Investment Co., Ltd.	–	3,941
Dividend of senior perpetual securities	98,422	–
Dividend of Minsheng Jiayin Asset Management Plan	155,125	–
Total	1,055,671	288,527

(25). Other payables

	31 December 2014	31 December 2013
Payables to associates(note 8(5)(e))	409,958	2,085,570
Payables to joint ventures(note 8(5)(e))	933,347	232,978
Collection of deeds tax and maintenance funds on behalf of government	224,246	144,557
Tender bond	45,570	46,475
Loans due to Non-controlling shareholders of subsidiaries(i)(note 8(5)(e))	56,714	170,780
Deposits from customers	54,038	77,734
Payables for operations	263,933	110,503
Advances from equity disposal(ii)	163,574	470,000
Others	402,727	244,869
Total	2,554,107	3,583,466

(i) As at 31 December 2014, loans borrowed from non-controlling shareholders of subsidiaries are loan provided by Reco Ziyang to Chengdu Xinzi. Of which, loan provided by Reco Ziyang to Chengdu Xinzi amounted to RMB56,714,000, which is interest free, unsecured, and with no maturity date;

(ii) The balance includes the advances from disposal of 10% in Hainan Dalecheng's equity interests (note 5(7)(b)) and disposal of NWCI's equity interests and shareholder's loan amounted to RMB143,574,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(26). Current portion of non-current liabilities

Currency	31 December 2014	31 December 2013
Long-term borrowings due within one year(a)	RMB 3,930,900	4,300,857
	USD –	288,993
Debentures payable due within one year(b)	RMB 1,988,703	2,147,586
Total	5,919,603	6,737,436

(a) Long-term borrowings due within one year of the Group is disclosed in note 5(28).

(b) Bonds payable due within one year is disclosed in note 5 (29).

(27). Liabilities classified as held for sale(note 5(7))

	31 December 2014	31 December 2013
Short-term borrowings	40,000	–
Accounts payable	176	60,768
Taxes payable	3,116	20,470
Interest payable	–	1,734
Current portion of non-current liabilities	–	12,500
Deferred taxes liabilities	3,081	–
Long-term borrowings	–	782,500
Other payables	2,796	–
Total	49,169	877,972

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28). Long-term borrowings

	Currency	31 December 2014	31 December 2013
Unsecured loans(a)	RMB	150,000	–
Secured loans:			
– Guaranteed (b)	RMB	378,000	2,308,000
	USD	–	106,707
– Mortgaged (c)	RMB	3,997,162	3,150,657
	USD	–	177,408
– Pledged (d)	RMB	336,000	210,000
– Trust (e)	RMB	3,777,000	2,750,000
– Guaranteed, mortgaged (f)	RMB	7,545,100	2,578,100
– Guaranteed, pledged (g)	RMB	939,000	925,000
	USD	–	258,753
– Guaranteed, mortgage, pledged (h)	RMB	540,000	864,538
– Debt investment plan (i)	RMB	4,000,000	2,000,000
Subtotal		21,662,262	15,329,163
Less: Long-term borrowings due within one year including:			
Unsecured loans(a)	RMB	–	–
Secured loans:			
– Guaranteed (b)	RMB	(20,000)	(2,308,000)
	USD	–	(106,707)
– Mortgaged (c)	RMB	(958,800)	(1,212,957)
	USD	–	(177,408)
– Pledged (d)	RMB	(176,000)	–
– Trust (e)	RMB	(830,000)	(20,000)
– Guaranteed, mortgaged (f)	RMB	(1,326,100)	(459,900)
– Guaranteed, pledged (g)	RMB	(180,000)	(130,000)
	USD	–	(4,878)
– Guaranteed, mortgaged, pledged(h)	RMB	(440,000)	(170,000)
Subtotal		(3,930,900)	(4,589,850)
Net long-term borrowings		17,731,362	10,739,313

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28). Long-term borrowings (Continued)

As at 31 December 2014, long-term borrowings include:

(a) Unsecured loans

As at 31 December 2014, bank borrowings of RMB150,000,000(31 December 2013: nil) are unsecured loan of the Company.

(b) Guaranteed loans

As at 31 December 2014, the guaranteed loans of RMB and USD were equivalent to RMB378,000,000 (31 December 2013: RMB2,414,707,000) guaranteed by the Company. Principal is due for repayment by installment before April 2017. Among the loans above, as RMB20,000,000 should be repaid on or before 31 December 2015, such amount was classified as long-term borrowings due within one year in financial statement.

(c) Mortgaged loans

As at 31 December 2014, bank borrowing of RMB1,499,160,000 (31 December 2013: RMB1,452,200,000) were secured by the mortgage of certain land use rights in properties under development of the Group (note 5(6)). Of which, the interests of principal of RMB248,318,000 are payable quarterly, interests of principal of RMB1,250,842,000 are payable monthly, and the principal is due for repayment by installment before October 2021. Among the loans above, RMB370,500,000 should be repaid on or before 19 November 2015, such amount was classified as long-term borrowings due within one year in financial statement.

As at 31 December 2014, bank borrowing of RMB570,000,000(31 December 2013: RMB600,000,000) were secured by the mortgage of certain buildings and land use rights in investment properties of the Group (note 5(12)). Of which, interests of principal of RMB455,500,000 are payable quarterly, interests of principal of RMB114,500,000 are payable monthly. The principal is due for repayment by installment on or before 15 December 2020. Among the loans above, as RMB60,000,000 should be repaid on or before 31 December 2015, such amount was classified as long-term borrowings due within one year in financial statement.

As at 31 December 2014, bank borrowing of RMB118,600,000 (31 December 2013: RMB813,457,000) were secured by the mortgage of certain land use rights in properties under development and the related income rights of the Group (note 5(6)). The principal is due for repayment by installment on or before July 2015. Such amount was classified as long-term borrowings due within one year in financial statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28). Long-term borrowings (Continued)

(c) Mortgaged loans (Continued)

As at 31 December 2014, bank borrowing of RMB521,900,000 (31 December 2013: RMB135,000,000) were secured by the mortgage of certain buildings of the Group (note 5(6)). Of which, interests of principal of RMB220,000,000 are payable quarterly, interests of principal of RMB301,900,000 are payable monthly. The principal is due for repayment by installment on or before October 2021. Among the loans above, as RMB117,200,000 should be repaid on or before 31 December 2015, such amount was classified as long-term borrowings due within one year in financial statement.

As at 31 December 2014, bank borrowing of RMB1,287,502,000 (31 December 2013: RMB150,000,000) were secured by the mortgage of certain buildings and land use rights under development of the Group (note 5(6)). Of which, interests of principal of RMB2,000,000 are payable quarterly, interests of principal of RMB1,285,502,000 are payable monthly. The principal is due for repayment by installment before October 2021. Among the loans above, as RMB292,500,000 should be repaid before 31 December 2015, such amount was classified as long-term borrowings due within one year in financial statement.

(d) Pledged loans

As at 31 December 2014, bank borrowings of RMB336,000,000 (31 December 2013: RMB210,000,000) were secured by the pledge of security deposits of the Group and its subsidiaries. The principal is due for repayment by installment before 17 December 2016. As RMB176,000,000 should be repaid on or before 31 December 2015, such amount was classified as long-term borrowings due within one year.

(e) Trust loans

As at 31 December 2014, trust loans of RMB780,000,000 (31 December 2013: RMB800,000,000) were guaranteed by Capital Group and the Company. Interest rate is fixed at 8.00%. And interests are payable quarterly. The principal will be due for repayment in December 2016. As RMB20,000,000 should be repaid before 31 December 2015, such amount was classified as long-term borrowings due within one year.

As at 31 December 2014, trust loans of RMB597,000,000 (31 December 2013: nil) were unsecured loans by the Company. Interest rate is fixed at 9.50%. And interests are payable quarterly. The principal will be due for repayment by installment before 22 October 2016

As at 31 December 2014, trust loans of RMB1,400,000,000 (31 December 2013: RMB950,000,000) were guaranteed by the Company. Of which, RMB600,000,000 is due for repayment on 28 February 2015, with fixed interest rate of 8.50% and interests payable quarterly, and RMB800,000,000 is due for repayment on 24 September 2016, with fixed interest rate of 9.00% and interests payable quarterly. As RMB810,000,000 should be repaid on or before 31 December 2015, such amount was classified as long-term borrowings due within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28). Long-term borrowings (Continued)

(e) Trust loans (Continued)

As at 31 December 2014, trust loans of RMB1,000,000,000 (31 December 2013: RMB1,000,000,000) were guaranteed by Capital Group. Interest rate is fixed at 8.20%. Interest are payable quarterly. The principal will be due for repayment on 28 March 2016.

(f) Guaranteed and mortgaged loans

As at 31 December 2014, the guaranteed and mortgaged loans of the Group amounted to RMB7,545,100,000 (31 December 2013: RMB2,578,100,000). Of which, RMB3,038,100,000 (31 December 2013: RMB502,100,000) is guaranteed by the Company for its subsidiaries and secured by residential properties and land use rights in properties under development (note 5(6)) of the Group; RMB1,937,000,000 (31 December 2013: RMB883,000,000) is guaranteed by the Company for its subsidiaries and secured by land use rights in properties under development (note 5(6)) of the Group; RMB457,000,000 (31 December 2013: RMB500,000,000) is guaranteed by the Company and secured by certain residential properties in properties under development (note 5(6)) of the Group. RMB160,000,000 (31 December 2013: RMB200,000,000) is guaranteed by the Company and secured by certain investment properties (note 5(12)) of the Group; RMB635,000,000 (31 December 2013: nil) is guaranteed by the company and secured by residential properties and land use rights (note 5(13)) in intangible assets (note 5(14)); RMB98,000,000 (31 December 2013: RMB190,000,000) is guaranteed by the Group and secured by certain land use rights in properties under development (note 5(6)) of the Group; RMB1,220,000,000 (31 December 2013: nil) is guaranteed by Capital Group for its subsidiaries and secured by certain land use rights in properties under development (note 5(6)) of the Group, and the principle should be repaid by installment on or before 30 June 2024. Among the loans above, as RMB1,326,100,000 is due for repayment on or before 30 June 2015, such amount was classified as long-term borrowings due within one year.

(g) Guaranteed and pledged loans

As at 31 December 2014, the guaranteed and pledged loans of the Group were amounted to RMB939,000,000 (31 December 2013: RMB1,183,753,000). Of which, RMB650,000,000 (31 December 2013: RMB1,008,752,400) is guaranteed by the Company and secured by the pledge of equity of the Group. RMB72,500,000 (31 December 2013: RMB87,500,000) is guaranteed by the Company, RMB72,500,000 (31 December 2013: RMB87,500,000) is guaranteed by the rights and gains of primary land development projects. RMB144,000,000 (31 December 2013: nil) is secured by guarantee of the Company and pledge of the security deposits of the Group. Among loans above, as RMB180,000,000 is due for repayment on or before 31 December 2015, such amount was classified as long-term borrowings due within one year. Other principal is due for repayment by installment before March 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28). Long-term borrowings (Continued)

(h) Guaranteed, mortgaged and pledged loans

As at 31 December 2014, the guaranteed, mortgaged and pledged loans of the Group amounted to RMB540,000,000 (31 December 2013: RMB864,538,000). Of which, RMB220,000,000 is guaranteed by the Company and secured by the mortgage of buildings and land use rights in properties under development (note 5(6)) of the Group, and secured by the pledge of rights for its gains; RMB320,000,000 is guaranteed by the Company and secured by the mortgage of land use rights in properties under development of the Group, and secured by the pledge of gains from development project and project insurance. Among the loans above, as RMB440,000,000 is due for repayment before 31 October 2015, such amount was classified as long-term borrowings due within one year. Other principal is due for repayment by installment before July 2016.

(i) Debt investment plan

As at 31 December 2014, the Group received RMB4,000,000,000 (31 December 2013: RMB2,000,000,000) through a debt investment plan. The loan was guaranteed by Capital Group. Interests are payable quarterly with a fixed rate of 9.5% and the principal will be due for repayment by installment before October 2019.

In 2014, the weighted average interest rate of long-term borrowings is 7.41% (2013: 8.40%).

(29). Debentures payable

	31 December 2013	Issue in current year	amortization of premium/ discount	Redemption in current year	Transferred into current portions of debentures payable	31 December 2014	Interest at book value
Corporate bonds	1,977,532	-	11,171	-	(1,988,703)	-	152,000
Medium term notes	-	3,212,917	4,195	-	-	3,217,112	166,042
Total	1,977,532	3,212,917	15,366	-	(1,988,703)	3,217,112	318,042

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29). Debentures payable (Continued)

Information about bonds are as follow:

	Book value	Date of issue	Duration	Release amount
2 billion RMB bonds	2,000,000	29/11/2012	3 years	1,966,049
2 billion medium term note	2,000,000	17/02/2014	3 years	1,965,029
250 million medium term note	250,000	17/02/2014	5 years	245,627
1 billion medium term note	1,000,000	04/04/2014	Matured at 16/02/2017	1,002,261

(a) On 29 November 2012, Central Plaza, a subsidiary of the Company issued corporate bonds amounted to RMB2,000,000,000. The Company received proceeds amounted to RMB1,966,065,000 net of issuance costs, and RMB152,000,000 among the proceeds are security deposits for bond interests. 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 interests for the last period will be fully repayable on the maturity date. IFC and some subsidiaries provided unconditional and irrevocable joint guarantees and the Company entered into a Keepwell Deed for the bonds. Pursuant to the Keepwell Deed, the Company commits to assist Central Plaza to remain solvent and going concern at all times, to assist both Central Plaza and IFC to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Bonds and the Guarantee in accordance with the Terms and Conditions of the Bonds and other obligations under the Keepwell Deed. Principal shall be repaid in 28 November 2015 therefore is reclassified as current portions of non-current liability.

(b) On 10 February, 2014, the Board of Directors of the Company announced the establishment of medium-term notes and perpetual securities program. Under the plan, Central Plaza may issue and offer to professional and institutional investors and issuers of securities, the principal limit up to USD1,000,000,000 (or the equivalent in other currencies currency units). Securities will be issued in different batches release date and different terms. IFC and part of its subsidiaries provided guarantees and the Company entered into a Keepwell Deed for the medium-term notes. Pursuant to the Keepwell Deed, the Company will undertake to cause Central Plaza to remain solvent and a going concern at all times, and guarantee each of Central Plaza and IFC have sufficient liquidity to ensure timely repayment in respect of the bonds and the guarantee in accordance with the terms and conditions of the bonds and other obligations under the Keepwell Deed.

On 17 February 2014, Central Plaza issued corporate bonds amounted to RMB2,000,000,000. The Company received proceeds amounted to RMB1,965,029,000 net of issuance costs. The bond carries a fixed annual interest rate of 5.75% with a maturity period of 3 years, and the interest will be paid every six months. The principal will be repaid together with interest of the last period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29). Debentures payable (Continued)

(b) (Continued)

On 17 February 2014, Central Plaza issued corporate bonds amounted to RMB250,000,000. The Company received proceeds amounted to RMB245,627,000 net of issuance costs. The bond carries a fixed annual interest rate of 6.875% with a maturity period of 5 years, and the interest will be paid every six months. The principle will be repaid together with the interest of the last period.

On 4 April 2014, Central Plaza issued corporate bonds amounted to RMB1,000,000,000. The Company received proceeds amounted to RMB1,002,261,000 net of issuance costs. The bond carries a fixed annual interest rate of 5.75% and the maturity date is 16 February 2017. The interest will be paid every six months. The principle will be repaid together with the interest of the last period.

(30). Long-term payables

	31 December 2014	31 December 2013
Donghai Securities Co., Ltd. ("Donghai Securities")(a)	880,000	–
CITIC Prudential Asset Management Co., Ltd. ("CITIC Prudential")(b)	650,000	–
Total	1,530,000	–

(a) As at 31 December 2014, the amount is the principal of borrowings due to Donghai Securities, which is a two-years loan with an annual interest rate of 9.3%

(b) As at 31 December 2014, the amount is the principal of borrowings due to the CITIC Prudential, which is a three-years borrowing with an annual interest rate of 10%, guaranteed by the Company and pledged by equity interests of subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(31). Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	As 31 December 2014		As at 31 December 2013	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairment	10,078	40,314	10,078	40,314
Accrued salaries and other cost and expenses	65,420	261,680	117,246	468,982
Accumulated losses	166,931	667,722	70,596	282,383
Internal unrealized profits elimination	150,207	600,828	165,019	660,077
Total	392,636	1,570,544	362,939	1,451,756
Including:				
Amount of reversal expected within 1 year (including 1 year)	130,799	523,196	199,815	799,260
Amount of reversal expected beyond 1 year	261,837	1,047,348	163,124	652,496

As at 31 December 2014, the Group has not recognized deferred tax in respect of deductible losses amounting to RMB1,291,109,000 (31 December 2013: RMB890,842,000), which will be expired as follows:

	31 December 2014	31 December 2013
2014	–	80,793
2015	55,147	55,147
2016	239,400	239,400
2017	257,604	257,604
2018	257,898	257,898
2019	481,060	–
Total	1,291,109	890,842

As at 31 December 2014, the Group has not recognized deferred tax in respect of deductible asset impairment losses amounting to RMB331,769,000 (31 December 2013: RMB8,477,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31). Deferred tax assets and deferred tax liabilities (Continued)

(b) Deferred tax liabilities before offsetting

	As 31 December 2014		As at 31 December 2013	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Withholding income tax	8,220	88,530	12,118	127,889
Change in fair value of available-for-sale financial assets	2,005	8,023	14,575	58,304
Business combination not under common control	249,400	997,600	45,740	182,960
Changes in fair value of investment properties recognized in profit or loss	275,058	1,100,232	197,768	791,072
Capitalized interest	335,921	1,343,681	137,281	549,114
Changes in fair value of investment properties recognized in other comprehensive income (note 5(47))	188,896	755,584	412,136	1,648,544
Total	1,059,500	4,293,650	819,618	3,357,883
Including:				
Amount of reversal expected within 1 year (including 1 year)	317,352	1,269,408	290,225	1,160,900
Amount of reversal expected beyond 1 year	742,148	3,024,242	529,393	2,196,983

(c) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2014	31 December 2013
Deferred tax assets, net	302,854	323,273
Deferred tax liabilities, net	969,718	779,952

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(32). Share capital

	Number of shares (in thousand)	Share capital (RMB' 000)
Registered, issued and fully paid: as at 31 December 2014	2,027,960	2,027,960
Registered, issued and fully paid: as at 31 December 2013	2,027,960	2,027,960

(33). Capital surplus

	31 December 2013	Additions	Reductions	31 December 2014
Share premium (note 4(5))	796,476	96,387	(222,728)	670,135
Compensation on LAT granted by promoters	35,974	-	-	35,974
Total	832,450	96,387	(222,728)	706,109

	31 December 2012	Additions	Reductions	31 December 2013
Share premium	794,498	56,169	(54,191)	796,476
Compensation on LAT granted by promoters	35,974	-	-	35,974
Total	830,472	56,169	(54,191)	832,450

(34). Surplus reserve

	31 December 2013	Additions	Reductions	31 December 2014
Statutory surplus reserve	341,768	18,860	-	360,628
Statutory surplus reserve	341,768	-	-	341,768

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34). Surplus reserve (Continued)

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. The Company appropriated surplus reserve of RMB18,860,000 (2013: nil) for the 2014.

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. The Company did not appropriate discretionary surplus reserve for the 2014 (2013: nil).

(35). Undistributed profits

	2014	2013
Dividends proposed but not paid by the end of the year	506,990	446,151
Dividends proposed during the year	446,151	324,474

As at 31 December 2014, included in the undistributed profits, subsidiaries' surplus reserve attributable to the parent company amounted to RMB1,013,783,000 (31 December 2013: RMB810,913,000). In 2014, surplus reserve accrued by the subsidiaries attributable to the parent company is RMB202,870,000 (2013: RMB86,939,000).

In accordance with the resolution at the General Meeting of Shareholders held on 17 April 2013, the Company declared a cash dividend of RMB0.16 per share to the shareholder for the year of 2012, which amounted to RMB324,474,000 based on the Company's total number of issued shares of 2,027,960,000.

In accordance with the resolution at the General Meeting of Shareholders held on 14 March 2014, the Company declared a cash dividend of RMB0.22 per share to the shareholders for the year 2013, which amounted to RMB446,151,000 based on the Company's total number of issued shares of 2,027,960,000.

On 9 February 2015, the Board proposed distributing dividend RMB0.25 per share to the shareholders for the year 2014, which amounted to RMB506,990,000, which will be submitted for the scrutiny of the Annual Shareholders' Meeting on 31 March 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(36). Revenue and cost of sales

	2014	2013
Revenue from main operations (a)	9,849,381	11,086,164
Revenue from other operations (b)	208,586	234,676
Total	10,057,967	11,320,840

	2014	2013
Cost of sales from main operations (a)	6,956,717	7,491,132
Cost of sales from other operations (b)	99,808	64,380
Total	7,056,525	7,555,512

(a) Revenue and cost of sales from main operations

	2014		2013	
	Main operating revenue	Main operating costs	Main operating revenue	Main operating costs
Sale of properties and related consulting services	9,194,660	6,700,333	10,603,569	7,251,446
Land development	472,644	175,428	349,940	146,240
Rental revenue of outlets	92,417	–	34,037	–
Hotel services	89,660	80,956	98,618	93,446
Total	9,849,381	6,956,717	11,086,164	7,491,132

(b) Revenue and cost of sales from other operations

	2014		2013	
	Other operating revenue	Other operating costs	Other operating revenue	Other operating costs
Sales of investment properties	12,136	6,142	141,281	45,490
Sales of Chemical products	109,491	93,452	19,487	18,587
Other businesses	86,959	214	73,908	303
Total	208,586	99,808	234,676	64,380

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37). Tax and surcharges

	2014	2013
Business tax	501,858	589,059
VAT	63,723	405,942
Business tax surcharges	79,828	74,221
Total	645,409	1,069,222

(38). Expenses by nature

Operating costs, sales expenses and management expenses in the income statement classified by nature are as follows:

	2014	2013
Wages, social security and welfare(i)	257,868	287,241
Administrative office expenses	80,184	65,308
Tax expenses	27,109	18,861
Depreciation and amortization	52,371	44,284
Travel and entertainment expenses	25,036	28,421
Intermediary service fee	61,409	56,615
Auditor's remuneration	10,573	8,923
Audit service related expenses	2,914	683
Marketing and commission fee	379,103	305,897
Costs of properties sold	6,796,208	7,332,863
Cost of sales in hotel services	41,633	44,817
Cost of sales of Chemical products	87,410	17,739
Others	53,411	33,949
Total	7,875,229	8,245,601

(i) Including the basic social pension security for the year 2014 amount to 16,185,000 (2013: 20,692,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(39). Financial (income)/expense – net

	2014	2013
Interest expenses	2,015,090	1,484,980
Including: Bank loans	863,378	766,999
Trust loans	353,694	386,125
Bonds payables	411,139	284,389
Other loans	386,879	47,467
Less: Amount capitalized	(1,878,702)	(906,879)
Interest expense-net	136,388	578,101
Interest income	(307,050)	(335,683)
Exchange gains or losses – net	29,906	20,849
Others	7,419	8,463
Net	(133,337)	271,730

Interest expenses analyzed by the maturity bank and other borrowings are as follows:

	2014		2013	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	793,510	1,151,712	707,211	717,981
Not wholly repayable within five years	69,868	-	59,788	-
Total	863,378	1,151,712	766,999	717,981

(40). Asset impairment

	2014	2013
Provision accrual for inventory impairment(note 5(6))	308,394	-
Impairment of inventories held for sale	14,899	-
Total	323,293	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(41). Non-operating income

	2014	2013
Excess of the fair value of the identifiable net assets acquired over the total consideration (note 4(2))	95,959	–
Government grants	11,821	254,018
Gains on disposal of fixed assets	677	35
Others	7,432	1,970
Total	115,889	256,023

(42). Non-operating expense

	2014	2013
Default fine (i)	39,625	44,977
Losses on disposal of fixed assets	–	5
Donations	525	238
Delaying payment fine	684	–
Others	4,150	13,164
Total	44,984	58,384

- (i) In 2014, the default fine is the provision of a subsidiary of the Group since the ownership certificates of the sold properties cannot be applied in time according to the pre-sale contracts.

(43). (Losses)/gains on changes in fair value

	2014	2013
Financial assets at fair value through profit or loss	(19,753)	58,440
Derivative instrument (i)	(3,264)	–
Investment properties subsequently measured at fair value model (note 5(12)(b))	351,867	431,312
Realized fair value losses in properties sold	(42,707)	–
Total	286,143	489,752

- (i) The derivative instruments is the forward contracts hedging the currency risk of the AUD investment, which is accounted by cash flow hedging (note 5(17)), the losses on changes in fair value amounted to RMB21,000 in 2014 (2013: nil) represent the ineffective portion of such cash flow hedging.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(44). Investment income

	2014	2013
Share of net profit or loss of investees under equity method (note 5(10))	369,592	99,153
Gains from disposal of subsidiaries (note 4(4))	622,763	73,088
Gains from deemed disposal in the business combinations (note 4(2))	189,807	–
Gains from disposal of joint ventures and associates	20,000	2,366
Gains from disposal of available-for-sale financial assets	46,419	9,865
Dividend income from available-for-sale financial assets	2,104	772
Losses of termination of investment	(9,364)	–
Others	439	17,270
Total	1,241,760	202,514

(45). Income tax expenses

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the 2014 (2013: nil).

PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable PRC income tax rate is 25% (2013: 25%).

Withholding income tax should be charged against income from taxable dividends of non-resident enterprises in mainland China and investments disposal in mainland China with the tax rate of 5%-10% according to the relevant laws and regulations in the PRC.

The amount of taxation charged to the consolidated income statement represents:

	2014	2013
Current income tax	436,219	560,182
Deferred income tax	246,233	150,287
Total	682,452	710,469

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45). Income tax expenses (Continued)

Reconciliations from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses are listed below:

	2014	2013
Total profit	2,946,181	2,624,192
Income tax expenses calculated at applicable tax rates (25%)	736,545	656,048
Share of net profit or loss of joint ventures and associates under equity method	(92,398)	(24,788)
Profit not subject to tax	(71,968)	(2,591)
Utilisation of unrecognised tax losses by disposal of subsidiaries	(83,092)	–
Distribution eligible for tax deduction (i)	(63,710)	–
Deductible losses for which no deferred income tax asset was recognized	120,265	64,474
Impairment provision for which no deferred income tax asset was recognized	80,823	–
Withholding income tax at different tax rate	10,683	8,242
Expenses, costs and losses not deductible for tax purposes	15,671	10,653
Tax differences of investees at different rate	29,633	–
Other	–	(1,569)
Income tax expenses	682,452	710,469

(i) Such amount represents tax deductible interest expenses on equity instruments issued by subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(46). Earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year:

	2014	2013
Consolidated net profit attributable to equity holders of the parent company	1,689,741	1,522,006
Weighted average number of ordinary shares outstanding (thousands)	2,027,960	2,027,960
Basic earnings per share (RMB cents per share)	83	75
Including: – Basic earnings per share relating to continuing operations	83	75

Diluted earnings per share are equal to the basic earnings per share since the Company has no dilutive potential ordinary shares during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(47). Other comprehensive income

	Other comprehensive income in balance sheet			Other comprehensive income in income statement of 2014				
	31 December 2013	Attribute to the Company after taxes	31 December 2014	Amount before taxes	Less: Transfer in profit or loss previously recognized in other comprehensive income	Less: Income taxes	Attribute to the Company after taxes	Attribute to the non-controlling interests after taxes
Other comprehensive income cannot be reclassified into profit or loss thereafter: Share of other comprehensive income in the investees cannot be reclassified into profit or loss at equity method	-	-	-	-	-	-	-	-
Other comprehensive income may be reclassified into profit or loss thereafter: Share of other comprehensive income in the investees will be reclassified into profit or loss at equity method	-	-	-	-	-	-	-	-
- Changes in fair value of available-for-sale financial assets	43,530	(37,711)	5,819	(50,281)	-	12,570	(37,711)	-
- Transfer out changes in fair value of investment properties previously recognized in other comprehensive income (a)	1,236,408	(669,720)	566,688	-	(892,960)	223,240	(669,720)	-
- Changes in fair value of derivative financial liabilities	-	(567)	(567)	(757)	-	190	(567)	-
- Difference on translation of foreign currency financial statements	6,053	3,141	9,194	3,141	-	-	3,141	-
	1,285,991	(704,857)	581,134	(47,897)	(892,960)	236,000	(704,857)	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(47). Other comprehensive income (Continued)

	Other comprehensive income in balance sheet			Other comprehensive income in income statement of 2014				
	31 December 2012	Attribute to the Company after taxes	31 December 2013	Amount before taxes	Less: Transfer in profit or loss previously recognized in other comprehensive income	Less: Income taxes	Attribute to the Company after taxes	Attribute to the non-controlling interests after taxes
Other comprehensive income cannot be reclassified into profit or loss thereafter:								
Share of other comprehensive income in the investees cannot be reclassified into profit or loss at equity method	-	-	-	-	-	-	-	-
Other comprehensive income may be reclassified into profit or loss thereafter:								
Share of other comprehensive income in the investees will be reclassified into profit or loss at equity method	-	-	-	-	-	-	-	-
- Changes in fair value of available-for-sale financial assets	53,523	(9,993)	43,530	(13,324)	-	3,331	(9,993)	-
- Transfer out changes in fair value of investment properties previously recognized in other comprehensive income (a)	1,320,439	(84,031)	1,236,408	13,331	(125,372)	28,010	(84,031)	-
- Others	21,975	(21,975)	-	-	(29,300)	7,325	(21,975)	-
- Difference on translation of foreign currency financial statements	(1,615)	7,668	6,053	7,668	-	-	7,668	-
	1,394,322	(108,331)	1,285,991	7,675	(154,672)	38,666	(108,331)	-

- (a) In 2014, some of the inventories have been disposed or sold, and the fair value gains initially recognized in other comprehensive income amounted to RMB669,720,000 (2013: RMB84,031,000) was accordingly transferred into income statement fair value gains.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(48). Notes to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2014	2013
Net profit	2,263,729	1,913,723
Add: Provisions for asset impairment (note 5(40))	323,293	–
Depreciation of fixed assets (note 5(13))	39,197	41,417
Amortization of intangible assets (note 5(14))	3,214	1,046
Amortization of long-term prepaid expenses	9,960	1,821
Gains on disposal of fixed assets, intangible assets and other long-term assets	(677)	(30)
Gains on disposal of investment properties	(5,994)	(95,791)
Interest (income)/expenses	(27,779)	331,333
Investment income (note 5(44))	(1,241,760)	(202,514)
Difference between combination costs and fair value of identifiable net assets acquired (note 5(41))	(95,959)	–
Decrease/(increase) in deferred tax assets	26,227	(46,703)
Increase in deferred tax liabilities	151,935	175,516
Increase in inventories	(15,715,279)	(7,513,597)
Gains on changes in fair value	(328,850)	(489,752)
Increase in restricted cash	(204,205)	(87,982)
Decrease in operating receivables	(773,757)	(586,650)
Increase in operating payables	3,134,556	2,100,243
Net cash flows from operating activities	(12,442,149)	(4,457,920)

(b) Net increase in cash

	2014	2013
Cash at end of the year	10,759,150	10,487,655
Less: Cash at beginning of the year	(10,487,655)	(8,076,269)
Net increase in cash	271,495	2,411,386

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

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

(48). Notes to consolidated cash flow statements *(Continued)*

(c) Cash

	31 December 2014	31 December 2013
Cash at bank and on hand (note 5(1))	13,897,026	11,339,807
Non-current assets and assets of disposal group classified as held for sale (note 5(7))	61,051	5,573
Less: Restricted cash at bank	(3,198,927)	(857,725)
Cash at end of the year	10,759,150	10,487,655

(d) Cash received relating to other investing activities

	2014	2013
Recovered receivables and interests from primary land development	2,743,098	–
Receivables and interests from Qinhuangdao Real Estate	154,009	–
Advances disposal of NWCI (note 5(25))	143,574	–
Receivables and interests from Financial Street Principles and interests from Beijing Wanzhu	–	261,800
Loans to Xingtai Jicheng	–	205,095
Others	207,874	573,545
Total	3,248,555	1,152,052

(e) Disposal of subsidiaries

In 2014, cash flow information of disposal of subsidiaries is disclosed in note 4(4).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

6. EQUITY OF STRUCTURED ENTITY NOT IN FINANCIAL STATEMENT

Refer to note 5(10).

7. 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 six reportable segments as follows:

- Beijing segment, which is mainly engaged in the property development and sales in Beijing region.
- Tianjin segment, which is mainly engaged in the property development and sales in Tianjin region.
- Chengyu segment, which is mainly engaged in the property development and sales in Chengyu region.
- Other segment, which is mainly engaged in the property development and sales in other regions, including Wuxi, Shenyang, Xi'an, Shanghai, Jiangsu, Zhejiang, Hainan and so on.
- Investment property segment, which is mainly engaged in the investment property operations.
- Hotel segment, which is mainly engaged in hotel business and providing corresponding services.

Inter-segment transfer prices 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

7. SEGMENT INFORMATION (Continued)

(1). Segment information for 2014 and as at 31 December 2014 are as follows:

	Property development and sales				Investment properties RMB'000	Hotel 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	1,637,789	2,056,737	3,105,973	2,961,901	92,417	89,660	113,490	-	10,057,967
Inter-segment revenue	-	-	-	11,321	-	-	-	(11,321)	-
Main operating cost	(898,199)	(1,313,961)	(2,349,620)	(2,220,064)	-	(80,957)	(93,916)	-	(6,956,717)
Interest income	283,416	11,911	2,497	46,876	54,461	164	616,016	(708,291)	307,050
Interest expenses	(28,358)	(1,109)	(1,480)	(13,417)	(45,591)	(21,005)	(733,719)	708,291	(136,388)
Share of profit of associates and joint ventures	254,033	1,779	-	9,741	4,457	-	99,582	-	369,592
Asset impairment loss	-	(244,326)	-	(64,068)	-	-	(14,899)	-	(323,293)
Depreciation and amortization	(8,281)	(1,040)	(347)	(3,032)	(8,808)	(25,766)	(5,097)	-	(52,371)
Total profit/(loss)	1,095,704	471,749	478,539	507,988	434,338	(16,078)	3,764	(29,823)	2,946,181
Income tax expenses	(134,694)	(182,400)	(120,203)	(113,040)	(84,696)	-	(11,723)	(35,696)	(682,452)
Net profit/(loss)	961,010	289,349	358,336	394,948	349,642	(16,078)	(7,959)	(65,519)	2,263,729
Total of non-current assets (except deferred tax assets and financial assets)	843,900	147,607	673	519,808	7,225,258	329,410	269,162	(818,137)	8,517,681
Total assets	66,107,727	21,083,362	6,819,859	33,970,021	10,901,873	1,195,221	31,564,554	(92,963,061)	78,679,556
Total liabilities	(56,384,654)	(17,668,980)	(4,257,887)	(28,329,872)	(2,381,409)	(1,130,583)	(29,378,018)	82,265,373	(57,266,030)
Long-term equity investments on associates and joint ventures	1,343,962	-	-	559,013	159,577	-	388,683	-	2,451,235
Increase to non-current assets other than long-term equity investments	3,294	2,232	148	-	3,756,019	162	4,919	-	3,766,774

The business and operations of the Company and most of its principal subsidiaries are located in China. In 2014, no revenue is generated from overseas transaction or from a single significant customer.

As at 31 December 2014, the Group's non-current assets (excluding financial assets and deferred tax assets) that located in other countries is amounted to RMB7,568,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

7. SEGMENT INFORMATION (Continued)

(2). Segment information for 2013 and as at 31 December 2013 are as follows:

	Property development and sales				Investment properties RMB'000	Hotel 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	1,632,961	175,318	98,618	58,608	-	11,320,840
Inter-segment revenue	-	-	-	3,268	-	-	-	(3,268)	-
Main operating cost	(1,490,481)	(2,376,047)	(2,844,587)	(686,571)	-	(93,446)	-	-	(7,491,132)
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	(16,196)	1,055	-	107,509	6,785	-	-	-	99,153
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	495,980	174,527	(23,290)	(41,888)	(150,284)	2,624,192
Income tax expenses	(160,721)	(126,355)	(169,224)	(111,923)	(43,632)	-	(16,226)	(82,388)	(710,469)
Net profit/(loss)	736,336	467,528	508,983	384,057	130,895	(23,290)	(58,114)	(232,672)	1,913,723
Total non-current assets									
(Excluding financial assets and deferred tax 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	16,793,775	2,473,673	535,957	49,561,959	(64,224,152)	56,190,686
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 to non-current assets other than long-term equity investments	41,458	1,269	97	4,509	(2,177,803)	(100)	10,847	-	(2,119,723)

In 2013, no revenue is generated from overseas transaction or a single significant customer.

As at 31 December 2013, the Group's non-current assets (excluding financial assets and deferred tax assets) that located in other countries is amounted to RMB323,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1). The parent company and subsidiaries

The general information and other related information of the subsidiaries are 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 2013	Increase	Decrease	31 December 2014
Capital Group	3,300,000	-	-	3,300,000

(c) The proportions of equity interests and voting rights in the Company held by the parent company:

	31 December 2014			31 December 2013		
	Direct interest held %	Indirect interest held %	Voting rights %	Direct interest held %	Indirect interest held %	Voting rights %
Capital Group	32.01	-	32.01	15.34	16.67	32.01

On 8 May 2014, 8.48%, 5.85% and 2.34% shares of the Company respectively held by Capital Technology, Capital Development and Capital Sunshine, which are the promoters of the Company transferred the shares of the Company, were transferred to Capital Group. After the transfer, Capital Group holds 32.01% shares of the Company directly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2). Information of Joint ventures and Associates

Refer to note 5(11).

(3). Information of other related parties

Name of related entities	Relationship with the Company
Sunshine Comprehensive	Promoter
Reco Ziyang	Non-controlling interests of subsidiaries
Reco Yanshan	Non-controlling interests of subsidiaries
Shouhui Real Estate	Subsidiary of joint venture of the company
Taihao Shengyuan	Subsidiary of joint venture of the company
Shouyong Real Estate	Subsidiary of joint venture of the company

(4). Related party transactions

The Board considers all transactions with related parties are on normal commercial terms, and prices of related party transactions were agreed by the Group and its related parties.

(a) Providing consulting services

	2014	2013
Tianjin Xinming	5,000	–
Tianjin Xinqing	–	4,500
Xi'an Xinkai	19,000	22,000
Shenyang Xinzi	–	30,000
Xingtai Jicheng	2,655	2,655
Total	26,655	59,155

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(4). Related party transactions *(Continued)*

(b) (Receive)/Provide funding

	2014	2013
Capital Jiaming	(3,362)	(130,241)
Financial Street	-	(261,800)
Tianjin Xinming	(30,240)	(264,250)
Tianjin Xinqing	559,860	(247,450)
Xi'an Xinkai	(666,039)	(550,650)
Shenyang Xinzi	199,250	(89,650)
Shenyang Jitian	(26,691)	(14,000)
Xingtai Jifeng	(1,333,000)	95,175
Xingtai Jicheng	1,292,646	(573,545)
Golden Net	(134)	(3,704)
Huzhou Rongcheng	118,433	(34,000)
Beijing Wanzhu	-	(205,095)
Speed Plus	18,313	-
International School	5,000	(33)
Capital Qinglv Culture	10,000	(20,000)
Shouyong Real Estate	122,873	(120,473)
Taihao Shengyuan	(289,552)	-
Shouhui Real Estate	(540,092)	-
Tonghua Qiangyu	(31,433)	-
Total	(594,168)	(2,419,716)

(c) Commission fee

	2014	2013
GoldenNet	126,001	116,258

The Group entrust GoldenNet as 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 2014 (All amounts in thousands of units of RMB otherwise stated)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4). Related party transactions (Continued)

(d) Interest income

	2014	2013
Beijing Wanzhu Financial Street	– 15,847	1,682 21,045
Capital Jiaming	–	1,055
Qinhuangdao Real Estate	13,803	12,255
Xingtai Jifeng	–	15,588
Tonghua Qiangyu	408	–
Total	30,058	51,625

(e) Guarantees

	31 December 2014	31 December 2013
Capital Group for the Company	5,000,000	4,000,000
Capital Group for subsidiaries	1,220,000	–

In 2013, Capital Group provided irrevocable guarantee for the long-term borrowing from Xiamen International Trust Co., Ltd, amounted to RMB1,000,000,000. The guarantee maturity date is March 2018.

In 2013, Capital Group provided irrevocable guarantee for the long-term borrowings from China Life Insurance Company Limited, Beijing Branch amounted to RMB2,000,000,000. The guarantee maturity date is December 2018.

In 2014, Capital Group provided irrevocable guarantee for the long-term borrowing from PICC Investment Holding Co., Ltd, amounted to RMB2,000,000,000. The guarantee maturity date is October 2019.

In 2014, Capital Group, provided irrevocable guarantee for the long-term borrowings for Capital Chaoyang, a wholly-owned subsidiary of the Company, from Shenzhen Ping An Bank Co., Ltd, Shenzhen Branch, amounted to RMB1,220,000,000. The guarantee maturity date is August 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4). Related party transactions (Continued)

(e) Guarantees (Continued)

	31 December 2014	31 December 2013
The Company for subsidiaries	18,100,600	9,978,763
Subsidiaries for subsidiaries	10,753,115	5,190,512

As at 31 December 2014 and 31 December 2013, the guarantees above are provided by the Company or certain subsidiaries for short-term borrowings (note 5(19)), long-term borrowings (note 5(28)), debentures payable (note 5(29)), long-term payables (note 5(30)) and equity instruments (note 4(3)).

(f) Key management compensation

	2014	2013
Remuneration of key management personnel	32,341	30,152
Other	506	496
Total	32,847	30,648

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4). Related party transactions (Continued)

- (g) In 2013, Zhuhai Hengqin Zizhufang Fund was established by Zhuhai Hengqin Fund Management Company as general partner. The Group holds 10% of the intermediate units in Zhuhai Hengqin Zizhufang Fund which has been classified as joint ventures of the Company (note 5(10)(a)(viii)). The Group transferred 100% shares of Taihao Shengyuan to Zhuhai Hengqin Zizhufang Fund in June 2014 (note 4(4)).
- (h) In 2014, the Group transferred its 100% equity and shareholder loans of Bantex, a subsidiary of the Company, to Reco Yanshan. Accordingly, 50% equity of Tiancheng Yongyuan held by Bantex was transferred to Reco Yanshan in the meantime (Note 4 (5)).
- (i) In 2014, the Group entered into an equity interest transfer agreement with Reco Ziyang to acquire 60% equity interests in Xi'an Xinkai. Xi'an Xinkai becomes wholly owned by the Group after the transaction (note 4(2)).
- (j) In 2014, the Group entered into an equity interest transfer agreement with Reco Ziyang to acquire 50% equity interests in Chongqing Xinshi and 45% equity interests in Tianjin Banshan. Chongqing Xinshi and Tianjin Banshan become wholly owned by the Group after the transaction (note 4(5)).

(5). Related party balances

(a) Advances to suppliers

	31 December 2014	31 December 2013
GoldenNet	35,378	19,298

(b) Long-term receivables (note 5 (15))

	31 December 2014	31 December 2013
Financial Street	308,227	292,380

- (i) As at 31 December 2014, the receivable includes principal and interests from Financial Street, an associate of the Group. From 1 January 2013, the receivable began to charge interest 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 receivable (note 5(5))

Dividends receivable of the Group is disclosed in note 5(5).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances *(Continued)*

(d) Other receivables (note 5(3)(b))

	31 December 2014	31 December 2013
Taihao Shengyuan	448	–
Speed Plus	18,313	–
GoldenNet	104	241
Chaoyang Investment	8,020	8,020
Qinhuangdao Real Estate	–	140,206
Shouyong Real Estate	2,400	–
Capital Jiaming	8,164	–
Tianjin Xinqing	66,410	–
International School	4,967	–
Xingtai Jifeng	–	95,175
Total	108,826	243,642

Above payables due to related parties are interest free, unpledged and unguaranteed, and have no fixed maturity dates.

(e) Other payables (note 5(25))

	31 December 2014	31 December 2013
Capital Jiaming	62,565	51,039
Tianjin Xinming	386,490	356,250
Xi'an Xinkai	–	1,003,150
Reco Ziyang	56,714	56,714
Shenyang Xinzi	13,000	212,250
Tianjin Xinqing	–	493,450
Shenyang Jitian	40,691	14,000
Capital Qinglv Culture	10,000	20,000
Financial Street Hotel	377	377
Huzhou Rongcheng	–	47,433
International School	–	33
Shouyong Real Estate	–	120,473
Taihao Shengyuan(i)	290,000	–
Shouhui Real Estate(ii)	540,092	–
Golden Net	90	93
Total	1,400,019	2,375,262

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5). Related party balances (Continued)

(e) Other payables (note 5(25)) (Continued)

- (i) As at 31 December 2014, borrowings from Taihao Shengyuan to the Group amounted to 290,000,000 with annual interest rate of 12%, unpledged and unguaranteed, and with no fixed maturity dates.
- (ii) As at 31 December 2014, borrowings from Shouhui Real Estate to the Group amounted to 526,000,000 with annual interest rate of 12%, unpledged and unguaranteed, and with no fixed maturity dates.

Except for above payables, payables due to related parties are interest free, unpledged and unguaranteed, and have no fixed maturity dates.

(f) Accounts payable

	31 December 2014	31 December 2013
GoldenNet	20,616	24,224

(g) Dividends payable

Dividends payable of the Group is disclosed in note 5(24).

(h) Interest payable

	31 December 2014	31 December 2013
Reco Ziyang	13,273	13,273

(i) Remuneration payable to the Board (note 5(22))

	31 December 2014	31 December 2013
Remuneration	22,616	28,486

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances *(Continued)*

(j) Remuneration payable to Directors

Directors' emoluments for the year ended 31 December 2014 are as follows:

Name	Allowance	Salary	Others	Basic pension insurance	The long-term incentive fund scheme	Total
Liu Xiaoguang	-	2,780	-	-	-	2,780
Tang Jun (President)	-	3,610	499	67	4,840	9,016
Zhang Juxing(i)	-	1,588	365	62	385	2,400
Zhang Shengli (Executive director)(ii)	132	33	6	-	-	171
Wang Hao	570	-	-	-	-	570
Song Fengjing(ii)	44	-	-	-	-	44
Shen Jianping	570	-	-	-	-	570
Zhang Shengli (Non-executive director)(i)	526	-	-	-	-	526
Li Zhaojie(i)	249	-	-	-	-	249
Wu Yuqiang	270	-	-	-	-	270
Wang Hong	270	-	-	-	-	270
Li Wang(ii)	21	-	-	-	-	21
Liu Yongzheng	170	-	-	-	-	170
Fan Shubin	170	-	-	-	-	170
Jiang Hebin	-	678	140	67	207	1,092

(i) Retired on 4 December 2014

(ii) Appointed on 5 December 2014

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5). Related party balances (Continued)

(j) Remuneration payable to Directors (Continued)

Directors' emoluments for the year ended 31 December 2013 are as follows:

Name	Allowance	Salary	Others	Basic pension insurance	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	442	-	-	-	-	442
Cao Guijie	442	-	-	-	-	442
Wang Hao	128	-	-	-	-	128
Shen Jianping	128	-	-	-	-	128
Zhang Shengli	570	-	-	-	-	570
Li Zhaojie	270	-	-	-	-	270
Wu Yuqiang	270	-	-	-	-	270
Wang Hong	270	-	-	-	-	270
Liu Yongzheng	170	-	-	-	-	170
Fan Shubin	170	-	-	-	-	170
Jiang Hebin	-	744	136	62	200	1,142

(k) The five individuals whose emoluments are the highest

The five individuals whose emoluments were the highest in the Group for the year include 2 directors (2013: 3) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 individuals (2013: 2) during the year are as follows:

	31 December 2014	31 December 2013
Basic salaries, bonus, basic pension insurance, the long-term incentive fund scheme and other allowances	10,447	4,222

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances *(Continued)*

(k) The five individuals whose emoluments are the highest *(Continued)*

	Number of individuals	
	2014	2013
Emolument bands:		
RMB0 – 3,000,000	–	1
RMB3,000,001-4,000,000	3	1
RMB4,000,001-5,000,000	–	–

The emoluments above include the long-term incentive fund scheme.

(l) 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 RMB50,000,000 (2013: RMB36,000,000) for the long-term incentive fund scheme in 2014. 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.

9. COMMITMENTS

(1). Capital commitments

- (a) Capital expenditures contracted for but not yet necessary to be recognized in the balance sheet by the Group at the balance sheet date are as follows:

	31 December 2014	31 December 2013
Authorised but not contracted	27,047,391	13,514,746
Contracted but not paid	11,666,102	6,021,144

- (b) The Group’s shares of capital commitment in relation to joint ventures are as follows:

	31 December 2014	31 December 2013
Authorized but not contracted	1,046,753	2,438,543
Contracted but not paid	677,322	488,337

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

9. COMMITMENTS (Continued)

(2). Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarized as follows:

	31 December 2014	31 December 2013
Within 1 year	9,675	3,075
Between 1 and 2 years	9,764	3,269
Between 2 and 3 years	4,547	999
Total	23,986	7,343

(3). Investment commitments

	31 December 2014	31 December 2013
Capital Qinglv Culture	–	29,000
Total	–	29,000

10. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain customers and has 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 2014, outstanding guarantees amounted to RMB6,528,320,000 (31 December 2013: RMB3,198,457,000).

As at 31 December 2014, except for the guarantees (note 8(4)(e)) provided by the Company or certain subsidiaries for short-term borrowings, long-term borrowings, debentures payable Long-term payables and equity instruments, the Group has no other material external guarantee. The Group believes that the guarantees above will not have a significant impact on its financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

11. FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks, including market risk (primarily currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(1). Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are dominated in RMB. However, the Group is still subject to foreign exchange risk arising from future commercial transactions, recognized assets and liabilities (most 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 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.

The group has certain investments in overseas, whose net assets are exposed to foreign exchange risk. The Group's headquarter monitors the overseas investment scale to mitigate its exposure to foreign exchange risk at the extreme extend.

As at 31 December 2014 and 31 December 2013, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2014				Total
	USD	HKD	AUD	EUR	
Cash at bank and on hand	773,842	320,831	3,303	35,902	1,133,878
Financial assets at fair value through profit or loss	-	162,863	-	-	162,863
Long-term receivables	-	-	253,797	-	253,797
Short-term borrowings	211,106	12,070	-	-	223,176
Interest payable	3,860	37	-	-	3,897

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

11. FINANCIAL INSTRUMENT AND RISK (Continued)

(1). Market risk (Continued)

(a) Foreign exchange risk (Continued)

	31 December 2013			Total
	USD	HKD	EUR	
Cash at bank and on hand	709,882	29,728	20,772	760,382
Financial assets at fair value through profit or loss	43,728	–	–	43,728
Long-term borrowings	253,875	–	–	253,875
Non-current liability due within one year	288,993	–	–	288,993
Short-term borrowings	294,939	–	–	294,939
Interest payable	4,234	–	–	4,234

As at 31 December 2014, 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 decreased/increased by approximately RMB20,958,000 (31 December 2013: increase/decrease by approximately RMB3,316,000).

As at 31 December 2014, 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 RMB17,685,000 (31 December 2013: decrease/increase by approximately RMB1,115,000).

As at 31 December 2014, for all AUD dominated financial assets and liabilities, if RMB had increased/decreased by 5% against AUD with all other variables held constant, post-tax profit for the year would have been increased/decreased by approximately RMB223,000 (31 December 2013: nil).

(b) Interest rate risk

The Group has exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry at prevailing market interest rates. Borrowings issued at floating interest rates expose the Group to cash flow interest-risk, and borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 December 2014, the Group's long-term interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to RMB10,263,162,000 (31 December 2013: RMB10,723,477,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

11. FINANCIAL INSTRUMENT AND RISK (Continued)

(1). Market risk (Continued)

(b) Interest rate risk (Continued)

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 2014, 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 RMB51,316,000 (31 December 2013: approximately RMB53,617,000).

(c) Price risk

The Group is exposed to equity securities price risk because parts of investments held by the Group and financial assets at fair value through profit or loss 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

The Group manages its credit risk on a classified basis. Credit risk mainly arises from cash at bank (note 5(1)), accounts receivable (note 5(3)(a)), and other receivables (note 5(3)(b)).

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks and does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit risk exposure on accounts receivable, and other receivables. The Group assesses the credit quality and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, reduce or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable range.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments (note 10). If a purchaser fails 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. In this regard, the management considers that the Group's credit risk is significantly reduced.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB 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 in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analyzed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2014				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities–					
Short-term borrowings	5,868,652	–	–	–	5,868,652
Accounts payable	7,873,182	–	–	–	7,873,182
Debentures payables	187,755	187,755	3,276,181	–	3,651,691
Long-term borrowings	1,063,097	8,302,615	9,735,450	2,454,457	21,555,619
Current portion of non-current liabilities	6,230,330	–	–	–	6,230,330
Long-term payables	146,840	1,025,722	676,712	–	1,849,274
Total	21,369,856	9,516,092	13,688,343	2,454,457	47,028,748

As at the balance sheet date, the financial derivative liabilities classified by undiscounted contract cash flow:

- (a) On 7 September 2016, sell AUD21,700,000 and buy RMB111,260,240.
- (b) On 31 January 2018, sell AUD52,080,000 and buy RMB264,306,000.

	31 December 2013				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities–					
Short-term borrowings	1,453,831	–	–	–	1,453,831
Accounts payable	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

11. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(3). Liquidity risk *(Continued)*

Bank and other borrowings are analyzed by repayment terms as follows:

	31 December 2014			31 December 2013		
	Bank borrowings	Other borrowings	Debentures Payable	Bank borrowings	Other borrowings	Debentures Payable
Wholly repayable within five years	20,912,837	4,383,715	5,205,814	12,520,577	3,919,044	4,125,118
Not wholly repayable within five years	2,082,500	-	-	450,000	-	-
Total	22,995,337	4,383,715	5,205,814	12,970,577	3,919,044	4,125,118

The Group makes temporary guarantee to the banks which provide mortgage loans to the customers of the Group. The warranty liability could be lifted after the customers obtain owners certification or other related documents, and complete the registration of mortgage on houses. As at 31 December 2014 and 31 December 2013, the balance of such guarantee refers to note 10.

12. FAIR VALUE ESTIMATES

The level of fair value measurement result is determined by the lowest level of the input value, which is of great significance to the overall fair value measurement.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

12. FAIR VALUE ESTIMATES (Continued)

(1). Assets/(liabilities) measured at fair value on an ongoing basis

As at 31 December 2014, the financial assets and liabilities measured at fair value on an ongoing basis by three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss –				
Trading financial assets	162,863	-	-	162,863
Available-for-sale financial assets –				
Available-for-sale equity instruments	13,420	-	-	13,420
Total financial assets	176,283	-	-	176,283
Non-financial assets				
Investment properties				
North region	-	-	2,147,374	2,147,374
Central region	-	-	923,000	923,000
South region	-	-	580,700	580,700
Total non-financial assets	-	-	3,651,074	3,651,074
Financial derivative liabilities	-	(3,452)	-	(3,452)
Total	176,283	(3,452)	3,651,074	3,823,905

As at 31 December 2013, the financial assets measured at fair value on an ongoing basis by three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss –				
Trading financial assets	-	43,728	-	43,728
Available-for-sale financial assets –				
Available-for-sale equity instruments	99,258	-	-	99,258
Total financial assets	99,258	43,728	-	142,986
Non-financial assets				
Investment properties				
North region	-	-	1,957,918	1,957,918
Central region	-	-	516,000	516,000
South region	-	-	490,000	490,000
Total non-financial assets	-	-	2,963,918	2,963,918
Total assets	99,258	43,728	2,963,918	3,106,904

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

12. FAIR VALUE ESTIMATES *(Continued)*

(1). Assets measured at fair value on an ongoing basis *(Continued)*

The Group recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event that caused the transfer. There were no transfers between level 1, 2 and 3 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices in active markets. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. Specific valuation techniques mainly include discounted cash flow analysis and so on. The inputs in those valuation techniques mainly include risk-free rate, benchmark interest rate and exchange rate.

The Group obtains independent valuations for its investment properties from an independent professional valuer as a third party. The valuations were based on income capitalization which largely used unobservable inputs such as market rent, discount rate and so on.

The change of level 3 assets is below:

	Investment properties			Total
	North region	Central region	South region	
As at 1 January 2014	1,957,918	516,000	490,000	2,963,918
Additions	-	-	24,087	24,087
Disposals	(9,544)	-	-	(9,544)
Transfer from investment properties at cost	-	320,746	-	320,746
Gains or losses recognized in profit or losses	199,000	86,254	66,613	351,867
As at 31 December 2014	2,147,374	923,000	580,700	3,651,074
Realized gains or losses recognized in current profit or losses				
- Investment Income	-	-	-	-
- Other operating income (note 5 (36))	(12,136)	-	-	(12,316)
Unrealized gains or losses recognized in current profit or losses				
- Profit or losses from change in fair value	199,000	86,254	66,613	351,867

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

12. FAIR VALUE ESTIMATES (Continued)

(1). Assets measured at fair value on an ongoing basis (Continued)

	North region	Investment properties		Total
		Central region	South region	
As at 1 January 2013	4,838,834	-	-	4,838,834
Additions	122,170	-	-	122,170
Disposals	(114,874)	-	-	(114,874)
Transfer from investment properties at cost	-	365,233	405,887	771,120
Transfer from inventories	144,669	-	-	144,669
Transfer to inventories	(1,493,644)	-	-	(1,493,644)
Transfer to investment properties held for sale	(1,749,000)	-	-	(1,749,000)
Gains or losses recognized in profit or losses	196,432	150,767	84,113	431,312
Gains or losses recognized in other comprehensive income	13,331	-	-	13,331
As at 31 December 2013	1,957,918	516,000	490,000	2,963,918

Profit or loss in the income statement is recognized in profit or loss arising from fair value changes, investment revenue, asset impairment loss, etc.

As at 31 December 2014, the gains recognized in profit or losses of assets in level 3 held by the Group is RMB375,867,000.

The Group's finance department is in charge of assets' valuation and employ the independent valuer to evaluate the fair value of investment properties. The finance department verifies all valuation results, take charge of relative accounting treatment and prepare disclosure information of fair value according to verified valuation results.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

12. FAIR VALUE ESTIMATES *(Continued)*

(1). Assets measured at fair value on an ongoing basis *(Continued)*

Information about fair value measurements using significant unobservable inputs:

Investment Properties	Fair value as at 31 December 2014	Valuation techniques	Title	Unobservable inputs	
				Range of unobservable inputs	Relationship of unobservable inputs of fair value
North region	2,147,374	Income approach	Discount rate	6% to 8%	The higher discount rate is, the lower fair value
			Market rents	RMB40 to RMB625 per square meter per month	The higher market rent is, the higher fair value
Central region	923,000	Income approach	Discount rate	7% to 8%	The higher discount rate is, the lower fair value
			Market rents	RMB34 to RMB68 per square meter per month	The higher market rent is, the higher fair value
South region	580,700	Income approach	Discount rate	7.5% to 9%	The higher discount rate is, the lower fair value
			Market rents	RMB53.8 to RMB310.9 per square meter per month	The higher market rent is, the higher fair value

(2). Assets measured at fair value not on an ongoing basis

The non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. As at 31 December 2014, the non-current assets held for sale which are stated at carrying amount by the Group was RMB202,664,000 (31 December 2013: RMB1,902,313,000).

(3). Assets and liabilities not measured at fair value but disclosed on fair value

Financial assets and liabilities measured at amortized cost mainly include receivables, short-term borrowings, payables, long-term borrowings, debentures payables and long-term payables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

12. FAIR VALUE ESTIMATES (Continued)

(3). Assets and liabilities not measured at fair value but disclosed on fair value

(Continued)

Except for the financial assets and liabilities listed below, the carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value:

	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	11,949,100	12,697,885	5,948,100	6,079,972
Debentures payable	3,217,112	3,235,935	1,977,532	2,025,823
Total	15,166,212	15,933,820	7,925,632	8,105,795

The fair value of long-term borrowings and debentures payables that are not traded in an active market is determined by using valuation techniques, such as discounted contracted cash flow analysis, by using discount rate which is comparable credit rate and almost the same cash flows in the same situation in the market. The fair value belongs to Level 3.

13. CAPITAL MANAGEMENT

The Group's objectives of managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Same with others in the industry, the group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by net capital. Net debt is calculated as total borrowings (including "Short-term borrowings", "Long-term borrowings" and "Notes payable" as shown in the consolidated balance sheet) less Cash at bank and on hand. Net capital is same as shareholder's equity shown in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

13. CAPITAL MANAGEMENT (Continued)

As at 31 December 2014, the Group's strategy was to maintain the net gearing ratio within 100%. The net gearing ratios as at 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Total borrowings, including	32,528,152	20,829,196
Short-term borrowings	11,579,678	8,112,351
Long-term borrowings	17,731,362	10,739,313
Debentures payable	3,217,112	1,977,532
Total	32,528,152	20,829,196
Less: Cash at bank and on hand	(13,897,026)	(11,339,807)
Net borrowings	18,631,126	9,489,389
Shareholders' equity	21,413,526	16,228,484
Net gearing ratio	87%	58%

14. EVENTS AFTER THE BALANCE SHEET DATE

In 2014, the Group entered into an equity transfer agreement with Juda International to transfer 100% equity interest in Xi'an Xinkai. The consideration is to be settled by the subscription of convertible preference shares ("CPS") issued by Juda International. In January 2015, all the conditions in equity transfer agreement are met, and the transactions of transfer of Xi'an Xin Kai's equity and the subscription of CPS have been completed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS

(1). Cash at bank and on hand

	31 December 2014	31 December 2013
Cash on hand	50	25
Bank deposit	2,512,089	800,874
Total	2,512,139	800,899

As at 31 December 2014 and 31 December 2013, there is no restricted bank deposits.

(2). Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2014	31 December 2013
Accounts receivable	160	160
Less: provision for doubtful debts	-	-
Accounts receivable – net	160	160

The aging of accounts receivable is analyzed as follows:

	31 December 2014	31 December 2013
Over 3 years	160	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

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

(b) Other receivables

	31 December 2014	31 December 2013
Amounts due from subsidiaries (i)	24,879,221	14,789,694
Amounts due from joint ventures	10,868	103,195
Guarantee funds	10,000	10,026
Others	18,228	278,608
Total	24,918,317	15,181,523
Less: provisions for doubtful debts	(24,000)	(24,000)
Other receivables – net	24,894,317	15,157,523

- (i) As at 31 December 2014, RMB609,346,000 (31 December 2013: RMB1,993,528,000) is the loan from the Company to subsidiary with interest rate of 6.60%, unsecured and unguaranteed. RMB177,000,000 (31 December 2013: nil) with the interest rate at 8%, 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 doubtful debt provision for other receivables for the 2014.

The analysis of other receivables and the related provisions are as follows:

	31 December 2014				31 December 2013			
	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision
Within 1 year	24,893,569	100	-	-	15,148,725	100	-	-
1 to 2 years	748	-	-	-	8,020	-	-	-
2 to 3 years	-	-	-	-	178	-	-	-
Over 3 years	24,000	-	(24,000)	100	24,600	-	(24,000)	98
Total	24,918,317	100	(24,000)	-	15,181,523	100	(24,000)	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3). Inventories

Inventories are classified as below:

	31 December 2014			31 December 2013		
	Book balance	Provisions for inventory	Book value	Book balance	Provisions for inventory	Book value
Properties held for sale	44,076	-	44,076	44,076	-	44,076

(4). Dividends receivables

	31 December 2014	Additions	Reductions	31 December 2014
Xi'an Xinkai	12,400	-	(12,400)	-
Tonghua Qiangyu	-	24,000	(24,000)	-

(5). Available-for-sale financial assets

As at 31 December 2014 and 31 December 2013, the information about the available-for-sale financial assets refers to note 5(9).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(6). Long-term receivables

	31 December 2014	31 December 2013
Financial Street	308,227	292,380

(7). Long-term equity investments

	31 December 2014	31 December 2013
Subsidiaries (a)		
– unlisted companies	3,403,044	3,171,514
Joint ventures (b)		
– unlisted companies	306,970	421,384
Associates (c)		
– unlisted companies	166,481	162,069
Total	3,876,495	3,754,967

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(7). Long-term equity investments (Continued)

(a) Subsidiaries

	Attributable interest held	Attributable vote held	31 December 2013	Additions	Disposals	31 December 2014
Capital Chaoyang	100%	100%	734,095	-	-	734,095
Rongjin Company	10%	10%	21,968	-	-	21,968
Central Company	75%	75%	79,433	-	-	79,433
Central Plaza Xinrong	75%	75%	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%	60%	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
Shanghai Zhengheng	100%	100%	-	10,000	-	10,000
Beijing Chuangyuan Botao Architectural Design & Consulting Co., Ltd.	100%	100%	5,000	-	-	5,000
Beijing Xinyuan Huafu Investment Co., Ltd.	100%	100%	5,000	-	-	5,000
Beijing Hengyuan Yinxing Investment Co., Ltd.	100%	100%	5,000	-	-	5,000
Beijing Dongqi Jin zhao Infrastructure Investment Co., Ltd.	100%	100%	30,000	-	-	30,000
Beijing Zhongzhi Dingfu Specific Assets Management Plan	100%	100%	100,000	-	-	100,000
Yongyuan Jintai	9%	N/A	190,000	-	-	190,000
Lehui Shenghuo	100%	100%	-	216,530	-	216,530
				5,000	-	5,000
Total			3,171,514	231,530	-	3,403,044

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(7). Long-term equity investments (Continued)

(b) Joint ventures

Long-term equity investment in joint ventures:

Accounting method	Investment costs	Change in the year										
		31 December 2013	Increase or decrease in investment	Share of net profit/(losses)	Share of other comprehensive income	Cash dividend declared	Other equity movement	31 December 2014	Equity interest held %	Voting rights held %	Provision for impairment	Impairment provided in current year
Beijing Wanzhu	Equity method RMB 25,500,000	20,646	-	32,503	-	-	-	53,149	30	30	-	-
Tonghua Qiangyu	Equity method RMB 4,000,000	5,540	-	27,202	-	(24,000)	-	8,742	40	40	-	-
Kunshan Chuangbo Fund	Equity method RMB 162,970,000	160,586	(345,166)	184,580	-	-	-	-	16.4	40	-	-
Zhuhai Hengqin Fund Management Company	Equity method RMB 4,000,000	3,934	-	(2)	-	-	-	3,932	40	40	-	-
Zhuhai Hengqin Fund	Equity method RMB 240,000,000	230,678	-	10,469	-	-	-	241,147	28.24	40	-	-
		421,384	(345,166)	254,752	-	(24,000)	-	306,970			-	-

The key financial Information of joint ventures is disclosed in note 5(10)(a).

(c) Associates

Long-term equity investment in associates:

Accounting method	Investment costs	Change in the year										
		31 December 2013	Increase or decrease in investment	Share of net profit/(losses)	Share of other comprehensive income	Cash dividend declared	Other equity movement	31 December 2014	Equity interest held %	Voting rights held %	Provision for impairment	Impairment provided in current year
Golden net	Equity method RMB 700,000	6,949	-	(45)	-	-	-	6,904	14	14	-	-
Yuangguangyuan	Equity method RMB 25,267,000	155,120	-	4,457	-	-	-	159,577	35	35	-	-
		162,069	-	4,412	-	-	-	166,481			-	-

The key financial Information of associates is disclosed in note 5(10)(b).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(8). Investment properties

	31 December 2014	31 December 2013
Investment properties subsequently measured at fair value model(a)	1,958	1,958

(a) Investment properties subsequently measured at fair value model

	Buildings and land use rights
Cost	
31 December 2013	1,958
Additions	–
Disposals	–
31 December 2014	1,958
Changes in fair value	
31 December 2013	–
Changes in fair value	–
Disposal	–
31 December 2014	–
Book value	
31 December 2014	1,958
31 December 2013	1,958

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(9). Fixed assets

	Buildings	Office Equipment	Motor Vehicles	Total
Cost				
31 December 2013	72,925	11,594	19,150	103,669
Increase	–	787	429	1,216
Decrease	–	(74)	(355)	(429)
31 December 2014	72,925	12,307	19,224	104,456
Accumulated depreciation				
31 December 2013	(13,838)	(9,701)	(15,845)	(39,384)
Increase	(1,741)	(1,409)	(2,296)	(5,446)
–Accrue ment	(1,741)	(1,409)	(2,296)	(5,446)
Decrease	–	–	325	325
–Dispose and retirement	–	–	325	325
31 December 2014	(15,579)	(11,110)	(17,816)	(44,505)
Provision for impairment				
31 December 2013	–	–	–	–
Increase	–	–	–	–
Decrease	–	–	–	–
31 December 2014	–	–	–	–
Book value				
31 December 2014	57,346	1,197	1,408	59,951
31 December 2013	59,087	1,893	3,305	64,285

For the 2014, depreciation expense amounted to RMB5,446,000 (2013: RMB5,198,000) and all charged in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(10). Accounts payable

The aging of accounts payable based on their recording dates is analyzed as follows:

	31 December 2014	31 December 2013
Less than 1 year	6,589	5,500
Over 1 year	10,782	10,782
Total	17,371	16,282

(11). Other payables

	31 December 2014	31 December 2013
Payables to subsidiaries	19,890,974	10,742,564
Payables to associates (i)	470,092	–
Others	71,630	183,296
Total	20,432,696	10,925,860

- (i) As at 31 December 2014, borrowings from Shouhui Real Estate to the Company amounted to 456,000,000 with annual interest rate of 12%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(12). Long-term borrowings

	Currency	31 December 2014	31 December 2013
Credit loans	RMB	150,000	–
Secured loans, including:			
– Pledged	RMB	160,000	210,000
– Guaranteed	RMB	4,000,000	2,000,000
– Trust	RMB	1,600,000	1,000,000
– Guaranteed/Mortgaged	RMB	–	–
Subtotal		5,910,000	3,210,000
Less: Long-term borrowings due within one year, including:			
Credit loans	RMB	–	–
Secured loans, including		–	–
– Pledged	RMB	–	–
– Trust	RMB	–	–
– Guaranteed/Mortgaged	RMB	–	–
Subtotal		–	–
Net long-term borrowings		5,910,000	3,210,000

(13). Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets

	31 December 2014		31 December 2013	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairment	6,000	24,000	6,000	24,000
Accrued salaries and other costs and expenses	38,760	155,040	37,052	148,208
Accumulated losses	–	–	14,367	57,466
Total	44,760	179,040	57,419	229,674

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(13). Deferred tax assets and deferred tax liabilities (Continued)

(b) Deferred tax liabilities

	31 December 2014		31 December 2013	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Changes in fair value of available-for-sale financial assets	2,005	8,023	14,575	58,304

(c) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2014	31 December 2013
Deferred tax assets, net	42,755	42,844
Deferred tax liabilities, net	-	-

(14). Taxes payable

	31 December 2014	31 December 2013
Land appreciation tax payable	20	20
Business tax payable	1,990	42,784
Others	-	7,834
Total	2,010	50,638

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(15). Capital surplus

	31 December 2013	Additions	Reductions	31 December 2014
Share premium	1,243,334	-	-	1,243,334
Compensation on LAT granted by promoters	35,974	-	-	35,974
Total	1,279,308	-	-	1,279,308

	31 December 2012	Additions	Reductions	31 December 2013
Share premium	1,243,334	-	-	1,243,334
Compensation on LAT granted by promoters	35,974	-	-	35,974
Total	1,279,308	-	-	1,279,308

(16). Other comprehensive income

	Other comprehensive income in balance sheet			Other comprehensive income in income statement of 2014				
	31 December 2013	Attribute to the Company after taxes	31 December 2014	Amount before taxes	Less: Transfer in profit or loss previously recognized in other comprehensive income	Less: Income taxes	Attribute to the Company after taxes	Attribute to the non- controlling interests after taxes
Other comprehensive income will be reclassified subsequently to profit or loss: Changes in fair value of available-for-sale financial assets	43,530	(37,711)	5,819	(50,281)	-	12,570	(37,711)	-
	43,530	(37,711)	5,819	(50,281)	-	12,570	(37,711)	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(16). Other comprehensive income (Continued)

	Other comprehensive income in balance sheet		Other comprehensive income in income statement of 2013					
	31 December 2012	Attribute to the Company after taxes	31 December 2013	Amount before taxes	Less: Transfer in profit or loss previously recognized in other comprehensive income	Less: Income taxes	Attribute to the Company after taxes	Attribute to the non- controlling interests after taxes
Other comprehensive income will be reclassified subsequently to profit or loss:								
Changes in fair value of available-for-sale financial assets	53,523	(9,993)	43,530	(13,324)	-	3,331	(9,993)	-
	53,523	(9,993)	43,530	(13,324)	-	3,331	(9,993)	-

(17). Revenue and cost of sales

	2014	2013
Revenue from main operations (a)	57,137	125,644
Cost of sales from main operations (a)	-	-

(a) Revenue and cost of sales from main operations

	2014		2013	
	Main operating revenue	Main operating costs	Main operating revenue	Main operating costs
Consulting services	57,137	-	125,644	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(18). Financial expense – net

	2014	2013
Interest expenses	390,210	244,602
Including: Bank loans	39,103	88,797
Trust loans	98,097	63,322
Bonds payables	48,106	68,039
Other loans	204,904	24,444
Interest expenses –net	390,210	244,602
Interest income	(162,534)	(239,475)
Exchange gains or losses – net	4,404	3,760
Other	2,645	3,939
Net	234,725	12,826

Interest expenses analyzed by the repayment terms of bank and other borrowings are as follows:

	2014 Bank borrowings	2013 Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	39,103	351,107	88,797	155,805
Not wholly repayable within five years	-	-	-	-
Total	39,103	351,107	88,797	155,805

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(19). Investment income

	2014	2013
Share of profit/(loss) of investees under equity method	259,164	(9,091)
Gains from disposal of subsidiaries	240,000	2,000
Gains from disposal of available-for-sale financial assets	46,419	–
Dividend income from available-for-sale financial assets	1,937	772
Dividend distribution from subsidiaries	23,980	–
Others	–	17,270
Total	571,500	10,951

The Company has no significant limitation on realization of investment income.

Investment income from listed investments and non-listed investments for the 2014 amount to RMB48,356,000 and RMB523,144,000 respectively (2013: RMB772,000 and RMB10,179,000).

(20). Income tax expenses

	2014	2013
Current income tax	3,266	851
Deferred income tax	12,659	(6,906)
Total	15,925	(6,055)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(20). Income tax expenses *(Continued)*

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses is listed below:

	2014	2013
Total profit/(losses)	204,525	(39,495)
Income tax expenses calculated at applicable tax rates (25%)	51,131	(9,874)
Share of net profits or loss of investees under equity method	(64,791)	2,273
Expenses, costs and losses not deductible for tax purposes	478	695
Tax differences of investees at different rate	29,633	–
Others	(526)	851
Income tax expenses	15,925	(6,055)

(21). Notes to the Company cash flow statements

(a) Reconciliation from net profit/(losses) to cash flows from operating activities

	2014	2013
Net Profit/(losses)	188,600	(33,440)
Add: Depreciation of fixed assets	5,446	5,198
Financial expenses	271,349	28,410
Investment profit (note 15(19))	(571,500)	(10,951)
Decrease/(Increase) in deferred tax assets	90	(6,904)
Increase in operating receivables	(8,915,968)	(3,521,400)
Decrease in operating payables	9,035,781	4,683,134
Net cash flows from operating activities	13,798	1,144,047

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014 (All amounts in thousands of units of RMB otherwise stated)

15. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(21). Notes to the Company cash flow statements (Continued)

(b) Net Increase in cash

	2014	2013
Cash at end of the year	2,512,139	800,899
Less: cash at beginning of the year	(800,899)	(400,751)
Net Increase in cash	1,711,240	400,148

(c) Cash

	31 December 2014	31 December 2013
Cash at bank and on hand	2,512,139	800,899
Less: restricted cash at bank	-	-
Cash at end of the year	2,512,139	800,899

16. NET CURRENT ASSETS

	31 December 2014 Consolidated	31 December 2013 Consolidated	31 December 2014 Company	31 December 2013 Company
Current assets	67,344,366	48,882,031	27,479,522	16,019,518
Less: Current liabilities	(33,814,386)	(26,465,407)	(21,205,528)	(12,103,148)
Net current assets	33,529,980	22,416,624	6,273,994	3,916,370

17. TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2014 Consolidated	31 December 2013 Consolidated	31 December 2014 Company	31 December 2013 Company
Total assets	78,679,556	56,190,688	31,832,328	20,325,210
Less: Current liabilities	(33,814,386)	(26,465,407)	(21,205,528)	(12,103,148)
Total assets less current liabilities	44,865,170	29,725,281	10,626,800	8,222,062



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