瑞安房地產
SHUI ON LAND

# EMBRACING CHANGE

## Shui On Land Limited




Annual Report 2014

Stock Code 272

# CONTENTS

# WHO WE ARE

## INNOVATIVE PROPERTY DEVELOPER IN CHINA

Established in 2004 and listed on The Stock Exchange of Hong Kong (Stock Code: 272) in October 2006, Shui On Land Limited is the Shui On Group's flagship property development company in the Chinese Mainland. Headquartered in Shanghai, Shui On Land has established a solid foundation in the Chinese Mainland and has a proven track record in developing mixed-use, sustainable communities.

Shui On Land develops innovative and high-quality residential, office, retail, entertainment and cultural properties in the Chinese Mainland. Shui On Land applies its hallmark approach of master-planning to all projects to ensure that developments are fully consistent with government objectives in economic development and urban planning while simultaneously incorporating local historical and cultural characteristics into our designs and planning. Manifesting the "Total Community" concept, our projects provide a unique environment enabling life enrichment of "Live-Work-Play".

Shui On Land's landbank stood at 12.3 million sq.m. (9.9 million sq.m. of leasable and saleable GFA, and 2.4 million sq.m. of clubhouses, car parking spaces and other facilities). Its eight projects, in various stages of development, are all situated in prime locations within the key cities of Shanghai, Chongqing, Wuhan, Dalian and Foshan.

## VISION

To be the premier and most innovative property developer in China

## BRAND PROMISE

Innovation • Quality • Excellence

## SHUI ON SPIRIT

Integrity • Dedication • Innovation • Excellence

We sustain our vision by integrating quality into all of our operations and aspiring to world-class standards of excellence in management, planning, execution and corporate governance.

# OUR COMMITMENT TO

### Investors

We are committed to providing attractive and sustainable returns for our investors based on a well-planned, long-term growth trajectory and strategic direction.

### Customers

The expectations of our customers are always at the forefront of our thinking and planning, enabling us to provide high quality and add value to all our projects.

### Community

We continually look for innovative ways to build and contribute to the community.

### Environment

As an experienced and socially responsible property developer, Shui On Land considers respect for the environment to be a key ingredient for the long-term development of the communities in which we are involved.

### Employees

Shui On Land believes that care for our employees and for the development of their talents is crucial to the long-term success of the Group.

# FINANCIAL HIGHLIGHTS

## Operating Results for the Year Ended 31 December

| | 2014 HKD'million | 2013 HKD'million | 2014 RMB'million | 2013 RMB'million |
|---|---|---|---|---|
| Turnover | 12,934 | 12,314 | 10,249 | 9,828 |
| Represented by: | | | | |
| Property development | 10,781 | 10,476 | 8,543 | 8,361 |
| Property investment | 1,991 | 1,804 | 1,578 | 1,440 |
| Others | 162 | 34 | 128 | 27 |
| Gross profit | 4,349 | 3,953 | 3,446 | 3,155 |
| Increase in fair value of investment properties | 3,758 | 3,649 | 2,978 | 2,912 |
| Share of results of associates | (218) | (223) | (173) | (178) |
| Profit attributable to shareholders | 2,244 | 2,663 | 1,778 | 2,125 |
| Core earnings of the Group | 568 | 1,482 | 450 | 1,183 |
| Basic earnings per share | HKD0.28 | HKD0.35 | RMB0.22 | RMB0.28 |
| Dividend per share | | | | |
| Interim paid | HKD0.022 | HKD0.022 | HKD0.022 | HKD0.022 |
| Proposed final | HKD0.04 | HKD0.04 | HKD0.04 | HKD0.04 |
| Full year | HKD0.062 | HKD0.062 | HKD0.062 | HKD0.062 |

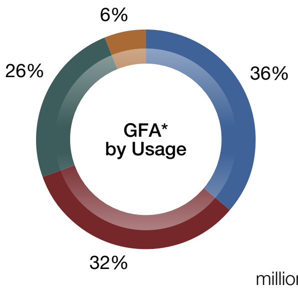
Note:
Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.262 for 2014 and RMB1.000 to HK$1.253 for 2013 being the average exchange rates that prevailed during the respective years.

## Financial Position as of 31 December

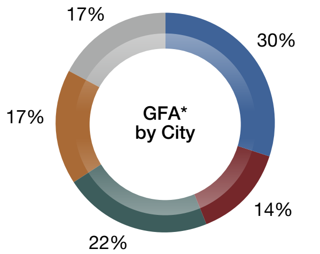
| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Total bank balances and cash | 12,430 | 10,180 |
| Total assets | 108,323 | 98,602 |
| Total equity | 44,922 | 42,174 |
| Total debt | 47,965 | 35,091 |
| Bank and other borrowings | 28,409 | 24,366 |
| Convertible bonds | 419 | 395 |
| Notes | 19,137 | 10,330 |
| Net gearing ratio* | 79% | 59% |

* Calculated on the basis of the excess of the sum of bank loans, convertible bonds and notes over the sum of bank balances and cash by total equity.

## Landbank as of 31 December 2014



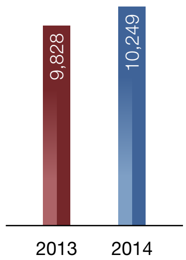

| | million sq.m. |
|---|---|
| Residential | 3.6 |
| Office | 3.3 |
| Retail | 2.4 |
| Hotel/Serviced Apartment | 0.6 |
| Total leasable and saleable GFA | 9.9 |
| Attributable GFA | 8.2 |



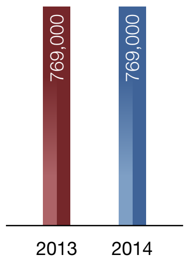

| | million sq.m. |
|---|---|
| Shanghai | 2.6 |
| Wuhan | 1.2 |
| Chongqing | 1.8 |
| Foshan | 1.4 |
| Dalian | 2.9 |
| Total leasable and saleable GFA | 9.9 |
| Attributable GFA | 8.2 |

* Percentages are calculated based on attributable GFA

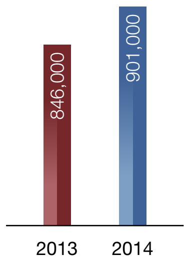
### Turnover
(RMB'million)



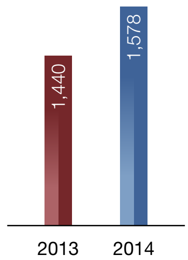

### Total GFA Completed
(sq.m.)



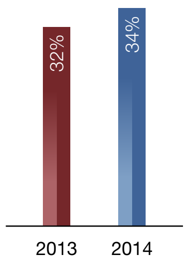

### Investment Property Portfolio – Leasable GFA
(sq.m.)



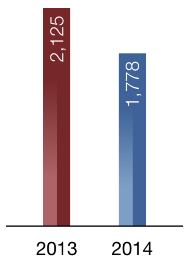

### Rental and Related Income
(RMB'million)



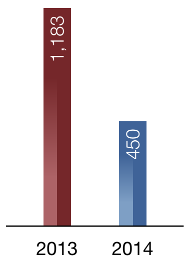

### Gross Profit Margin
(%)



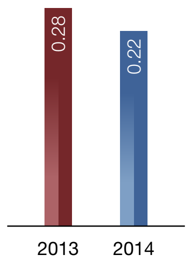

### Profit Attributable to Shareholders
(RMB'million)



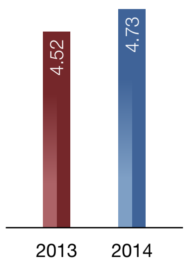

### Core Earnings of the Group
(RMB'million)



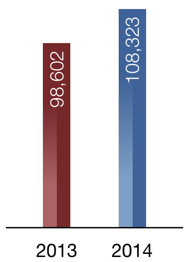

### Basic Earnings Per Share
(RMB/share)



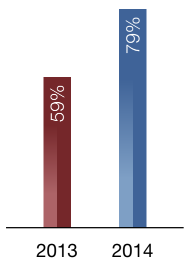

### Shareholders' Equity Per Share
(RMB/share)



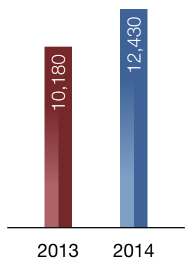

### Total Assets
(RMB'million)




### Net Gearing Ratio
(%)




### Total Bank Balances and Cash
(RMB'million)



# ACHIEVEMENT HIGHLIGHTS

**The Group's projects received certifications from the United States Green Building Council (USGBC) and the Ministry of Housing and Urban-Rural Development of the People's Republic of China:**



## LEED

- February – Shanghai Taipingqiao was awarded LEED-Neighbourhood Development (ND) 2009 Version Stage 2 Gold level (Pre-certification)
- March – Lot 1 in Foshan Lingnan Tiandi received LEED-Core & Shell (CS) Certification Gold level
- September – Lots B12-3 (Commercial) & B12-4 (Commercial) in Chongqing Tiandi received LEED-Core & Shell (CS) Certification Gold level

## Chinese Green Building Ratings

- January – Lot 127 in Shanghai Taipingqiao received Chinese Green Building Design Label 3 Star rating
- April – Lot D19 (Commercial) in THE HUB received Chinese Green Building Design Label 2 Star rating
- October – Lot E02 (Phase 1) in Huang Ni Chuan Plate of Dalian Tiandi received Chinese Green Building Design Label 2 Star rating

## Group

### APRIL

The Group was awarded the Corporate Governance Asia Recognition Award 2014 – Best Investor Relations Company organised by the magazine Corporate Governance Asia.

### AUGUST

At the ARC Awards 2014, the Group's 2013 Annual Report received the Gold Award (Real Estate Development/SVC: Integrated Residential Development Projects Gold – Chairman's Letter) and Honour (Real Estate Development/SVC: Residential Properties Honours – Interior Design).

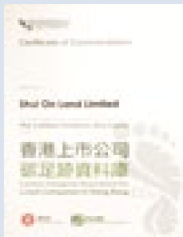

### OCTOBER

The Group received the Corporate Governance Asia Recognition Award 2014 – Icon of Corporate Governance.

### DECEMBER

The Group was named by China Business Network as among the Top 10 Hong Kong-listed Property Developers in the China Property Value Ranking for 2014.

The Group was named by Oriental Morning Post as the Most Influential Property Developer at the 2014 China Real Estate Shanghai Property Agents Annual Meeting.

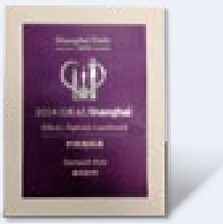



As an environmentally responsible organisation, the Group was one of the first corporate participants in the carbon footprint disclosure scheme "Carbon Footprint Repository for Listed Companies in Hong Kong" set up by Hong Kong Environment Bureau and Hong Kong Environmental Protection Department.

The Group's 2013 Annual Report was named among the ARC 100 Top Annual Reports 2014.

## Projects


Shanghai Feng Cheng Property Management Co., Ltd. – Shui On Plaza Property Service Centre was named a pioneer in energy conservation and emission reduction in Huangpu in 2013 by the Huangpu District Energy Conservation and Emission Reduction Leadership Group.



Xintiandi Style was named the iDEAL Fashion Landmark by Shanghai Daily.

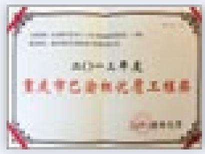
The superstructure of Lot 16-4 in the Knowledge and Innovation Community (KIC) was topped out in 2014, indicating near completion of the KIC project. The InnoSpace incubator also applied successfully for the first batch of angel investment funds in Shanghai.

Construction of Rui Hong Xin Cheng Lot 3 (Commercial) started in May 2014, followed by Lot 2 (Residential) and Lot 9 (Residential) in October 2014.

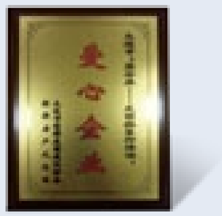

THE HUB emerged as the winner for Best Mixed-Use Development (China) and Best Mixed-Use Development (East & Central China) category at the China Property Awards 2014.

Wuhan Tiandi received several awards, including the Top Ten Most Powerful Wuhan Real Estate Developers in 2013 from the Wuhan Real Estate Development Business Association.

Wuhan Tiandi also Highly Commended for Best Mixed-Use Development (East & Central China) at the China Property Awards 2014. Additionally, Wuhan Tiandi Park Place received the Cityscape Mixed-Use Project Award-Future.



The super high-rise project (Phase 1) of Lot B11-1/02 in Chongqing Tiandi received the 2013 Bayu Cup Quality Construction Award from the Chongqing Construction Industry Association.

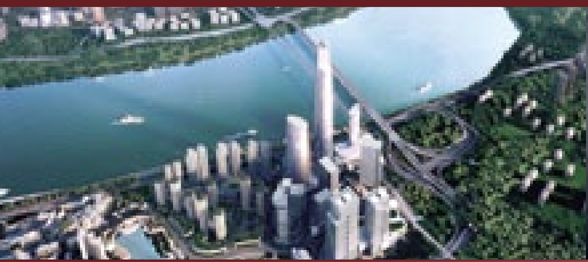


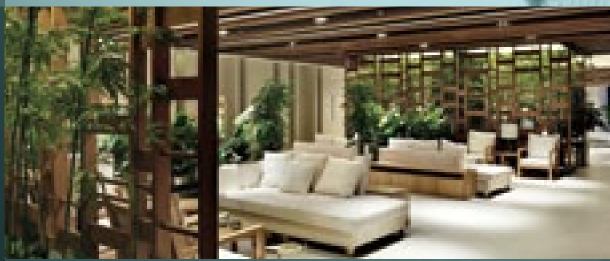

Dalian Tiandi was named a caring enterprise in the Dalian Blue Philanthropy – Civilised Community Initiative. Concurrently, the operations team of the business centre at IT Tiandi at Huang Ni Chuan Plate of Dalian Tiandi won the Cultured Youths title from the Communist Youth League of Dalian Hi-tech Zone Committee.


Foshan Lingnan Tiandi • Park Royale received Certification of Guangdong Province's Green Community.

We have progressed from formulating a modified strategy for sustainable growth to implementing it across our businesses.

# FINE-TUNING STRATEGY





# REWARDING EXCELLENCE

Our new performance-based management system requires our people to be more accountable and take greater responsibility.

# FOCUSING ON RESULTS

The Group's new results-oriented approach will help us make the most of our assets and guide us in returning the Group to profitability.

By cultivating change in our corporate culture, we have embraced new ways of thinking and new ways of doing business.

# CULTIVATING CHANGE

# CHAIRMAN'S STATEMENT

2014 was without doubt a turbulent year for China's property market. The moderating growth of the country's economy, further exacerbated by weak property market conditions, created a challenging operating environment for property players. As a significant participant in the Chinese property market, Shui On Land's unavoidably saw some impacts to our financial performance during 2014. However, challenges notwithstanding, 2014 remained a year of meaningful progress for our Group following a change in management structure and a fine-tuning of our corporate strategy and business model.

In view of the existing challenges and an evolving property market, we recognise that further adjustment in priorities and strategies are necessary to bolster both our operation and financial capabilities, which will in turn position the Group favourably to leverage market opportunities for growth. With the sustained efforts and changes made, I am optimistic that the Group is well-positioned for recovery, and have confidence that Shui On Land can yield greater reward in the medium and long-term.

## Financial Overview

For the twelve-month period ended 31 December 2014, the Group recorded turnover of RMB10,249 million (HKD12,934 million), an increase of 4% compared to RMB9,828 million (HKD12,314 million) in the corresponding financial year in 2013. Profit attributable to shareholders for 2014 amounted to RMB1,778 million (HKD2,244 million), decreased from RMB2,125 million (HKD2,663 million) for 2013, while basic earnings per share were RMB0.22 (HKD0.28).

## Tuning Our Strategies for a Challenging Environment

On the global front, the world economy experienced a year of uneven growth in 2014. While the United States achieved growth rates that hadn't been seen in nearly a decade, its recovery was insufficient to make a significant impact on the sluggish performance of Japan and Europe economies. China's economic growth also slowed to 7.4% in 2014, which is partially a result of efforts to stabilise the country's economy after over two decades of fast-paced expansion. Accordingly, the slower economic growth and government intervention measures on the property market resulted in a decline in overall housing sales in China during the first three quarters of 2014.

As a result of the weaker property market, and due mainly to the absence of saleable properties contribution from our Shanghai projects, the Group's total contracted sales, including contributions from Dalian associates, decreased by 41% to RMB9,750 million in 2014.

While 2014 started off on a weaker note, the domestic property market received a much welcomed boost in October as the Chinese government began to ease mortgage rules. This, combined with the Central Bank's decision to cut interest rates, had a positive effect on the market. In the last quarter of 2014, we saw an upswing in mortgage lending, a contributing factor that helped improve our sales performance, with total general property contracted sales for October to December 2014 rising 133% to RMB2,301 million (HKD2,904 million) compared to the third quarter of 2014.

For 2015, we believe this improvement can be sustained as the Central Government, as part of its efforts to support the country's economic growth, is expected to adopt more favourable policies for the property sector in the foreseeable future.

In addition, three of our residential sites, respectively located in Shanghai Rui Hong Xin Cheng and Shanghai Taipingqiao, obtained clearance in mid-2014 and construction works have since commenced. The three developments are expected to contribute to the Group as saleable properties from the second half of 2015, and with the inclusion of these three upcoming projects, we are optimistic that the Group will achieve a better sales performance from 2015.

In my letter to you a year ago, I described how Shui On Land has been entering a period of challenges, changes and possibilities. While returning to lead the Group in an executive role has been challenging, it has also been and continues to be a rewarding experience for me. Although the challenges and changes in the property market are continuing, the possibilities inherent in our modified business strategy are progressively becoming a reality.

## Increasing Asset Turnover & Profitability

Our total assets value grew to RMB108 billion by the end of 2014 from RMB56 billion in 2010. Leveraging the introduction of the new relocation policy introduced by the Shanghai Municipal Government in 2010, we have been accelerating the relocation of our two core city centre redevelopment projects, namely Shanghai Taipingqiao and Shanghai Rui Hong Xin Cheng; as well as the investment of THE HUB at Hongqiao transportation hub with over RMB35 billion invested. As these investments were mainly funded by debt financing, it translated into an increase in interest payments, and with majority of these developments still under construction, the profit contributions have also yet to be fully realised.

Due to the challenging market environment and lack of saleable resources at our Shanghai projects, our asset turnover remained relative low with a turnover rate of 9% in 2014.

> To ensure the continuity of a strong leadership and management team, I have been taking steps to build a strong foundation for Shui On Land's growth by bringing in young people with innovative ideas and different ways of doing things. We have continued to take a strong focus on nurturing and grooming a talent pool of young and capable executives, preparing them to take on management positions for the growth and expansion of our business.

VINCENT LO

To accelerate overall asset turnover and realise the value of our assets, we are adjusting our strategy to divest existing commercial properties in our portfolio that are mature and stabilised or non-core assets at the right time and price. Increasing asset turnover will not only allow us to unlock their value and increase profitability, it will also help to strengthen our cash flow and reduce our gearing ratio to a stable and healthy level of around 50%.

## Organisational Change to Enable Better Returns

With the implementation of our new management structure and a culture change undergoing in our team, we are now well-equipped and better positioned to return the Group to higher profitability in the next two to three years. We believe that our project-based management strategy will serve to expedite our profitability growth efforts. Under this management approach, each city where we are currently operating in will be run more like a standalone entity with respective financial and operational responsibilities, while the head office will provide overall strategic directions for the Group. Accordingly, each entity and individual will be rated and incentivised based on their performance and the results they deliver.

I am confident that with our previous investment in projects of high saleable value and capital recycling strategy, together with the management changes we are implementing, will enable us to achieve better returns on equity over the next several years.

## Laying Foundation for Payoff in Medium Term

In the middle of the review year, we marked a major project milestone as we completed the relocation for Lots 2 and 9 in Shanghai Rui Hong Xin Cheng and Lot 116 in Shanghai Taipingqiao. Although the relocation has been time-consuming process, the development value it could yield will be significant, underpinned by the rapidly rising value of land in the core area of Shanghai over the past two to three years.

Construction works in Rui Hong Xin Cheng Lots 2 and 9 and Taipingqiao Lot 116, with a combined GFA of 283,000 sq.m., commenced immediately after the sites were cleared. The developments are scheduled to be launched for pre-sale from the second half of 2015 to 2017.

In short, 2010 to 2014 represents our investment period; and I believe that the coming years of 2015 to 2019 will be our pay-off period.

# CHAIRMAN'S STATEMENT

## A Growing Commercial Property Portfolio

THE HUB in the Hongqiao Central Business District has been partially completed. It will offer comprehensive commercial and leisure services including office, shopping, F&B, entertainment and exhibition spaces for a population of nearly 75 million within the High Speed Railway's one-hour catchment. This project is already enjoying a very good response in the market and the pre-leasing status has been good. The whole project is expected to be opened in late 2015.

In addition to THE HUB, we expect to complete a number of commercial properties in 2015. These include two retail developments: Lot A123 in Wuhan Tiandi and Lot E in Foshan Lingnan Tiandi (shopping mall); and an office and retail mixed development – 3 Corporate Avenue at Shanghai Taipingqiao (Lot 127).

We also made good progress with The Knowledge and Innovation Community (KIC) in Yangpu District of Shanghai during 2014. A concept similar to Silicon Valley in the United States, the KIC offers an entire eco-system for young entrepreneurs and start-ups, with a view towards fostering innovation and encouraging the development of home-grown brands. As China gradually migrates from being export-oriented to a consumption-driven economy, I am confident that the Knowledge Community model will meet the needs of China's changing economic structure. The investment of a Middle East institutional investor in our Knowledge Community platform also reiterates the attractiveness and viability of this model.

## Enhancing Return at China Xintiandi

We are seeing good progress at China Xintiandi, which has been operating as a separate entity for over a year. To further drive up the rental potential of its assets, China Xintiandi has been carrying out on-going Asset Enhancement Initiatives (AEI) at its retail properties in Shanghai Taipingqiao. These include the completion of AEI works in Xintiandi Style, which has been showing good results, with occupancy rates at the retail outlets as of the end of 2014 reaching over 90%.

China Xintiandi, which is supported by teams of dedicated commercial property leasing and operation experts, is expected to bring higher return of the investment properties to shareholders of Shui On Land.

In 2015, the properties in our proposed IPO initial portfolio, including 3 Corporate Avenue at Shanghai Taipingqiao and THE HUB, is slated for completion with tenants moving in from the second half of the year. Accordingly, in terms of timing, we believe 2016 would mark a good timing for pushing the IPO of China Xintiandi.

## Making Way for the Next Generation

To ensure the continuity of a strong leadership and management team, I have been taking steps to build a strong foundation for Shui On Land's growth by bringing in young people with innovative ideas and different ways of doing things. We have continued to take a strong focus on nurturing and grooming a talent pool of young and capable executives, preparing them to take on management positions for the growth and expansion of our business.

I am pleased that such efforts are bearing fruit, and we have now put in place a new team of senior management, and I am working diligently to ensure that they are capable of making the decisions needed to take the Group forward.

## Appreciation

I would like to take this opportunity to thank all of our staff who have shared my vision for the future and embraced the changes in our management structure. I would also like to extend my appreciation to my fellow Directors, our management team and employees for their support and understanding. And finally, to our shareholders and business partners, I would like to reiterate my belief that your patience and confidence in us will ultimately be rewarded.

While challenges remain as we transit into the New Year, I am confident that with the strategies that we have put in place and unrelenting efforts of our staff, better days are ahead for Shui On Land.

**Vincent H. S. LO**
Chairman

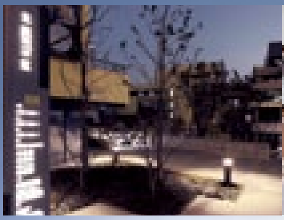
Hong Kong, 18 March 2015

# GOOD ASSETS

## MARKET UPDATES AND PROJECT PROFILES

# SHANGHAI

An economic metropolis of China, Shanghai is the country's leading commercial, financial and shipping centre. Shanghai is one of the four municipalities of the PRC, hosting a total population of 24.3 million at the end of 2014. The establishment of the China (Shanghai) Pilot Free Trade Zone in 2013 marked a milestone for a new round of market reforms and the expansion of Shanghai. In 2014, its total GDP stood at RMB2,356.1 billion, and GDP per capita at RMB97,300. Currently, approximately 1,336 financial institutions and the regional headquarters of 490 multinational corporations have a presence in Shanghai, while 381 overseas companies have set up research and development centres in the city.




# GREATER HONGQIAO AREA

The Greater Hongqiao Area is one of the four key economic drivers under Shanghai's 12th Five Year Plan (2011 – 2015). The other three drivers are the EXPO Area, the Greater Pudong Area and the Disneyland Area. The planned site in the Greater Hongqiao Area is three times larger than the Pudong Lujiazui Financial Zone. The aim is to balance the development of western and eastern Shanghai and to ease traffic congestion in the city core. "West Gate" is an alternate and fitting name, referring to the area's role as a gateway for people and companies worldwide to enter China through the Yangtze River Delta via its comprehensive transportation network.

## MARKET UPDATES AND PROJECT PROFILES

# THE HUB

**Site Location:** THE HUB is ideally located at the heart of the Hongqiao Central Business District (CBD). It is linked directly to the Hongqiao Transportation Hub, thus facilitating convenient and efficient access to the major components of the Transportation Hub, namely the Shanghai High-Speed Rail Station that connects to all major cities in China, Terminal 2 of the Shanghai Hongqiao International Airport, and five Shanghai Metro lines.

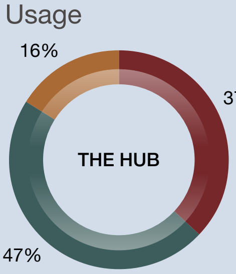
**Master-plan:** Designed to become a new business, cultural and lifestyle landmark, THE HUB comprises a large retail component, offices, a performance and exhibition centre and a hotel, spanning a total GFA of 274,000 sq.m.. Situated at the heart of the Hongqiao CBD, the site for THE HUB was acquired by the Group for RMB3.2 billion through a public land auction in September 2010. As China's economy approaches a world pinnacle, the integral role of Shanghai as a world-class financial and trading centre grows increasingly prominent. Hongqiao CBD will, not only be a dynamic new CBD in Shanghai, but also the CBD of choice for the Yangtze River Delta, giving the area greater global exposure and significance.

The site comprises two parts, D17 and D19. The piling and basement construction work commenced in 2011. In addition to the above ground area of Showroom Offices Tower 2 and Tower 3 in D17, with a total GFA of 58,000 sq.m. completed in 2013, the Showroom Offices Tower 1 and Tower 5, Xintiandi, the basement retail space and the shopping mall, with a total GFA of 157,000 sq.m., was completed in 2014. The remaining construction work is scheduled to be completed in 2015. Several office tenants, including Roche Diagnostics and Shell have moved in. The retail portions will gradually open from 2015.

The following table shows the usage mix of the project as of 31 December 2014 based on the Master-plan:

| | Approximate/Estimated leasable and saleable GFA | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Residential sq.m. | Office sq.m. | Retail sq.m. | Hotel/ serviced apartment sq.m. | **Sub-total GFA sq.m.** | Clubhouse, carpark and other facilities sq.m. | **Total GFA sq.m.** | Group's interest % |
| **Completed properties** | | | | | | | | |
| D17 (excluded Hotel) | – | 74,000 | 17,000 | – | **91,000** | 50,000 | **141,000** | 100.0% |
| D19 (excluded Performance and exhibition center) | – | 16,000 | 108,000 | – | **124,000** | 67,000 | **191,000** | 100.0% |
| **Subtotal** | **–** | **90,000** | **125,000** | **–** | **215,000** | **117,000** | **332,000** | |
| **Properties under development** | | | | | | | | |
| D17 Hotel | – | – | – | 45,000 | **45,000** | 1,000 | **46,000** | 100.0% |
| D19 Performance and exhibition center | – | 11,000 | 3,000 | – | **14,000** | 2,000 | **16,000** | 100.0% |
| **Subtotal** | **–** | **11,000** | **3,000** | **45,000** | **59,000** | **3,000** | **62,000** | |
| **Total** | **–** | **101,000** | **128,000** | **45,000** | **274,000** | **120,000** | **394,000** | |

GFA by Usage




| | sq.m. |
|---|---|
| Office | 101,000 |
| Retail | 128,000 |
| Hotel/Serviced Apartment | 45,000 |
| Total Leasable and Saleable GFA | 274,000 |

## MARKET UPDATES AND PROJECT PROFILES

# SHANGHAI

## HUANGPU DISTRICT

Huangpu District is located in central Shanghai, on the west side of the Huangpu River, facing Pudong Lujiazui Financial District. With the approval of the State Council, the existing Huangpu District was extended with effect from June 2011 to include the old Luwan District.

The Bund, also located in Huangpu District, is famous for its historical buildings overlooking the Huangpu River. Heading westward from the Bund are several major commercial streets, including East Nanjing Road, Fuzhou Road and Huai Hai Road. The 5,500-metre-long Huai Hai Road is a well-known shopping promenade in Shanghai. Another landmark of the Huangpu District is the People's Square, where the Shanghai Municipal Government is headquartered.

## MARKET UPDATES AND PROJECT PROFILES

# TAIPINGQIAO PROJECT

**Site location:** The Taipingqiao project is located in Huangpu District, and sits ideally along one of Shanghai's main commercial thoroughfares – Huai Hai Middle Road. An area that has over the years been transformed into a world-class commercial area, it is now home to the flagship stores of a host of luxury brands. Metro Lines 1, 8 and 10 connect this project to major urban areas of Shanghai. Metro Line 13, which is currently under construction, will also serve the community when completed.

**Master-plan:** The project is a large-scale, city-core redevelopment project, with an emphasis on the preservation and restoration of historic buildings and the establishment of an integrated community. The Master-plan blends the classic architecture of "Old Shanghai" with modern features and amenities. The project comprises four main zones: Shanghai Xintiandi is the historic restoration zone, Corporate Avenue office towers and Shui On Plaza constitute the corporate headquarters zone, Lakeville is a premium residential zone, while Xintiandi Style together with Langham Xintiandi Hotel, which we had disposed of in December 2014, represent the retail, hotel and theatre zone. The Group has been developing the project in phases since 1996.

Among the commercial developments are Shanghai Shui On Plaza, Xintiandi, Xintiandi Style and 1&2 Corporate Avenue, Phase I. A total GFA of 214,000 sq.m. in this project, is currently earmarked for the development of investment properties in the Group's portfolio. 5 Corporate Avenue, Phase II (Lot 126) accommodates an office building with a GFA of 51,000 sq.m., incorporating a retail podium with a GFA of 28,000 sq.m. The property was completed and disposed of in December 2013 to China Life Trustees Limited. 3 Corporate Avenue, Phase II (Lot 127), with a GFA of 56,000 sq.m. of office space and a retail podium with a GFA of 31,000 sq.m., is scheduled for completion in 2015. Overall, 3 and 5 Corporate Avenue will exhibit a more modern outlook and the tenant mixes will be expanded and enhanced by introducing new shopping and entertainment experiences.

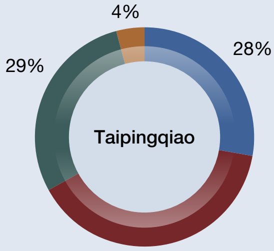
In terms of residential development, Lakeville Phases 1 to 3 with a GFA of more than 253,000 sq.m. have been sold and delivered since 2002. Relocation of Lakeville Phase 4 (Lot 116) was completed in August 2014 and a total GFA of 87,000 sq.m. is now under construction. Lakeville Phase 4 will comprise luxurious residential apartments and is planned for launch from late 2015. Relocation of a total GFA of 80,000 sq.m. for residential use commenced in late 2014. It is planned for development into Lakeville Phase 5 (Lot 118).

Further relocation plans and timetable for the remaining 416,000 sq.m. of GFA have yet to be determined.

The following table shows the usage mix of the project as of 31 December 2014 based on the Master-plan:

| | Approximate/Estimated leasable and saleable GFA | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Residential sq.m. | Office sq.m. | Retail sq.m. | Hotel/ serviced apartment sq.m. | **Sub-total GFA sq.m.** | Clubhouse, carpark and other facilities sq.m. | **Total GFA sq.m.** | Group's interest % |
| **Completed properties** | | | | | | | | |
| Xintiandi | – | 4,000 | 43,000 | – | **47,000** | 15,000 | **62,000** | 100.0% |
| 1&2 Corporate Avenue, Phase I | – | 76,000 | 7,000 | – | **83,000** | 16,000 | **99,000** | 100.0% |
| The Lakeville and Lakeville Regency | – | – | – | – | **–** | 24,000 | **24,000** | 99.0% |
| Casa Lakeville and Xintiandi Style | – | – | 26,000 | – | **26,000** | 13,000 | **39,000** | 99.0% |
| Shui On Plaza | – | 30,000 | 28,000 | – | **58,000** | 8,000 | **66,000** | 80.0% |
| **Subtotal** | **–** | **110,000** | **104,000** | **–** | **214,000** | **76,000** | **290,000** | |
| **Properties under development** | | | | | | | | |
| The House (formerly the 88 Xiantiandi Hotel) | – | – | 7,000 | – | **7,000** | – | **7,000** | 99.0% |
| 3 Corporate Avenue, Phase II (Lot 127) | – | 56,000 | 31,000 | – | **87,000** | 32,000 | **119,000** | 99.0% |
| Lot 116 | 87,000 | – | – | – | **87,000** | 46,000 | **133,000** | 19.3% |
| Lot 118 | 80,000 | – | – | – | **80,000** | – | **80,000** | 99.0% |
| **Subtotal** | **167,000** | **56,000** | **38,000** | **–** | **261,000** | **78,000** | **339,000** | |
| **Properties for future development** | | | | | | | | |
| **Subtotal** | **86,000** | **174,000** | **118,000** | **38,000** | **416,000** | **44,000** | **460,000** | 99.0% |
| **Total** | **253,000** | **340,000** | **260,000** | **38,000** | **891,000** | **198,000** | **1,089,000** | |

## GFA by Usage




| | sq.m. |
|---|---|
| Residential | 253,000 |
| Office | 340,000 |
| Retail | 260,000 |
| Hotel/Serviced Apartment | 38,000 |
| Total Leasable and Saleable GFA | 891,000 |

## Residential ASP

(RMB/sq.m.)


**MARKET UPDATES AND PROJECT PROFILES**

# SHANGHAI

## HONGKOU DISTRICT

The Hongkou District is situated in downtown Shanghai. The District has a long history and deep cultural roots. It is currently being transformed into a modern, integrated district to facilitate its bustling commerce, an environment that accentuates quality of life, its unique cultural characteristics and efficient public services. The North Bund area of Hongkou District is the landmark shipping and logistics services development hub for Shanghai, serving more than 3,000 shipping and logistics companies. The major economic driving forces that tool the success of the Hongkou District are its shipping services, knowledge industries, leisure and entertainment services and its real estate industry.

### RUI HONG XIN CHENG

**Site location:** The Rui Hong Xin Cheng project, known also as Rainbow City, is located in Hongkou District. It is adjacent to the North Bund and the North Sichuan Road business district. The project enjoys excellent connectivity to the Lujiazui CBD and Pudong commercial district, via three metro lines: Metro Lines 4, 8 and 10; as well as two tunnels: Xinjian Road Tunnel and Dalian Road Tunnel.

**Master-plan:** Rui Hong Xin Cheng is a large-scale, city-core redevelopment project. According to the Master-plan, the project will be revitalised to become an integrated community comprising office buildings, retail podiums, hotels, culture & entertainment space and residential properties. Rui Hong Xin Cheng is projected to be a fashionable urban living destination within the Inner Ring Viaduct of Shanghai.

Since 1998, the Group has developed, sold and delivered more than 567,000 sq.m. in GFA of residential units, which were completed in five phases. The View, Phase 5 (Lot 6) of Rui Hong Xin Cheng, comprising GFA of 118,000 sq.m. of residential units and 19,000 sq.m. of retail area, was completed in 2014. The ASP of contracted sales of the residential units has increased progressively from RMB16,600 per sq.m. in 2007 to RMB54,000 per sq.m. in 2014. Relocation activities were completed at Lots 2 & 9 during 2014, which encompass a total planned GFA of 193,000 sq.m. for residential and 3,000 sq.m. for ancillary retail usage. These areas are now under construction, and will be progressively launched from the second half of 2015.

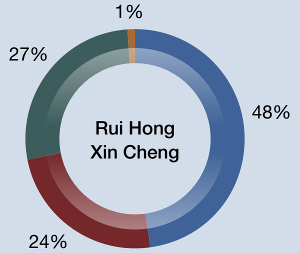
In terms of commercial properties, 66,000 sq.m. of GFA have been developed into retail spaces and retained in the Group's investment property portfolio. Relocation work at Rui Hong Tiandi Lot 3 was completed in 2013. The site is currently under development, with a planned GFA of 78,000 sq.m. earmarked for a retail podium, a serviced apartment and an entertainment area.

Relocation negotiations at Lots 1, 7 and 10, which encompass a total planned GFA of 578,000 sq.m., has seen good progress. The three sites are to be developed into residential apartments, retail spaces, offices and shopping centres. As of 31 December 2014, approximately 94% of the residents at Lots 1 & 7, and 86% at Lot 10, have signed relocation agreements. Further relocation plans and timetable for the remaining 230,000 sq.m. of GFA at Lots 167A and 167B have yet to be determined.

The following table shows the usage mix of the project as of 31 December 2014 based on the Master-plan:

| | Approximate/Estimated leasable and saleable GFA | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Residential sq.m. | Office sq.m. | Retail sq.m. | Hotel/ serviced apartment sq.m. | **Sub-total GFA sq.m.** | Clubhouse, carpark and other facilities sq.m. | **Total GFA sq.m.** | Group's interest % |
| **Completed properties** | | | | | | | | |
| The Palette 1 | – | – | 5,000 | – | **5,000** | 13,000 | **18,000** | 100.0% |
| The Palette 3 | – | – | 28,000 | – | **28,000** | 21,000 | **49,000** | 99.0% |
| The Palette 5 | – | – | 2,000 | – | **2,000** | 3,000 | **5,000** | 99.0% |
| The Palette 2 | – | – | 12,000 | – | **12,000** | 20,000 | **32,000** | 99.0% |
| The View (Lot 6) | 3,000 | – | 19,000 | – | **22,000** | 22,000 | **44,000** | 99.0% |
| **Subtotal** | **3,000** | **–** | **66,000** | **–** | **69,000** | **79,000** | **148,000** | |
| **Properties under development** | | | | | | | | |
| Rui Hong Tiandi Lot 3 | – | – | 62,000 | 16,000 | **78,000** | 26,000 | **104,000** | 99.0% |
| Lot 9 | 86,000 | – | 2,000 | – | **88,000** | 32,000 | **120,000** | 99.0% |
| Lot 2 | 107,000 | – | 1,000 | – | **108,000** | 43,000 | **151,000** | 99.0% |
| Lot 10 | – | 203,000 | 105,000 | – | **308,000** | 2,000 | **310,000** | 99.0% |
| Lot 1 | 109,000 | – | 1,000 | – | **110,000** | 2,000 | **112,000** | 99.0% |
| Lot 7 | 159,000 | – | 1,000 | – | **160,000** | 3,000 | **163,000** | 99.0% |
| **Subtotal** | **461,000** | **203,000** | **172,000** | **16,000** | **852,000** | **108,000** | **960,000** | |
| **Properties for future development** | | | | | | | | |
| **Subtotal** | **83,000** | **69,000** | **78,000** | **–** | **230,000** | **2,000** | **232,000** | 100.0% |
| **Total** | **547,000** | **272,000** | **316,000** | **16,000** | **1,151,000** | **189,000** | **1,340,000** | |

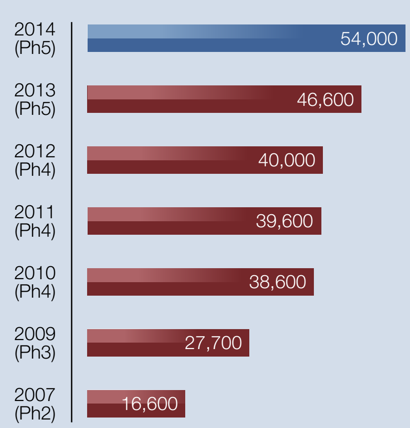
## GFA by Usage




| | sq.m. |
|---|---|
| Residential | 547,000 |
| Office | 272,000 |
| Retail | 316,000 |
| Hotel/Serviced Apartment | 16,000 |
| Total Leasable and Saleable GFA | 1,151,000 |

## Residential ASP

(RMB/sq.m.)




MARKET UPDATES AND PROJECT PROFILES

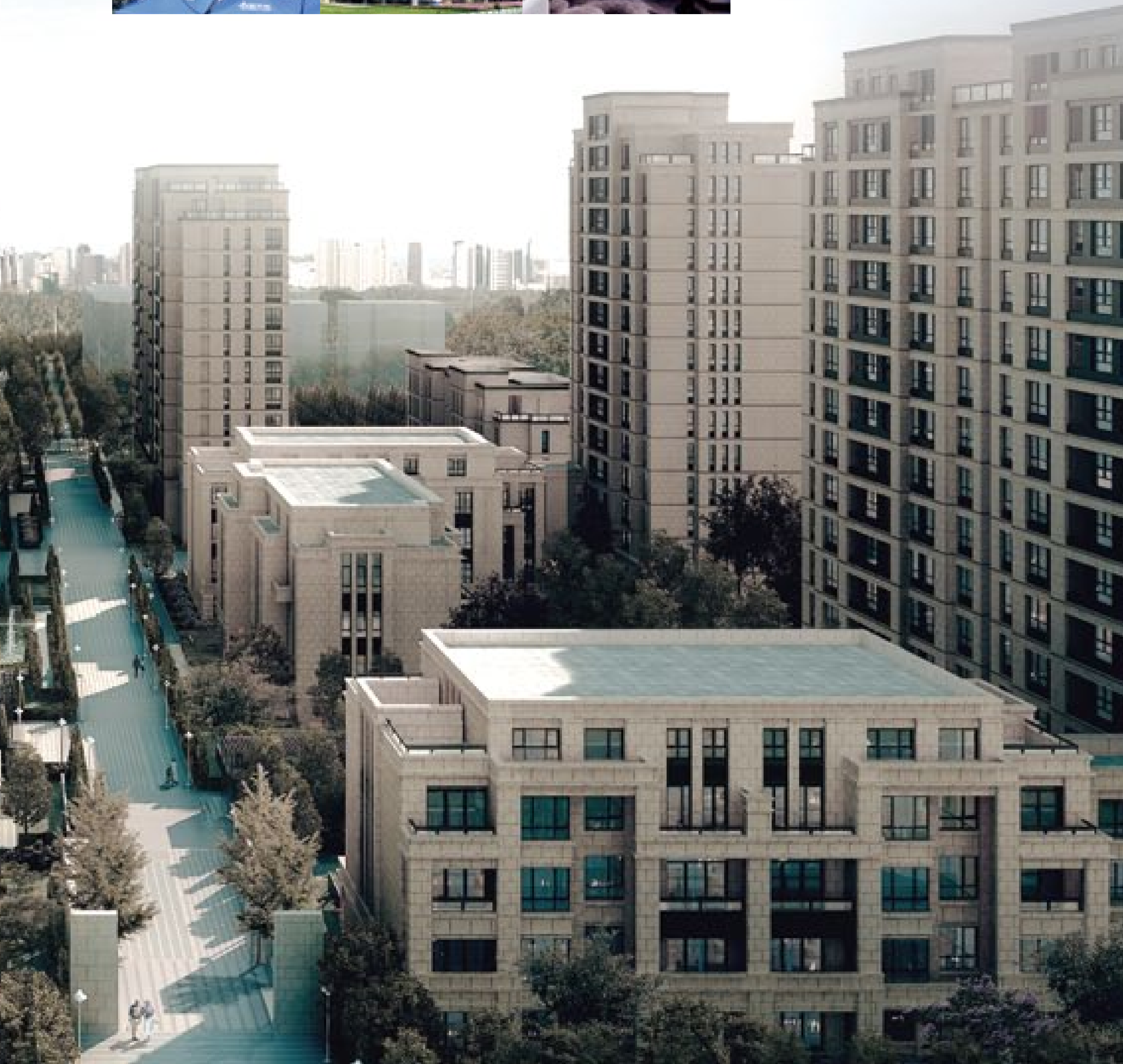
SHANGHAI

# YANGPU DISTRICT

Think of Yangpu District as multi-faceted, at its heart is the Wujiaochang – KIC – Jiangwanxincheng area, designated by the Shanghai municipal government as one of the city's four urban sub- centres. Yangpu District has been transformed into a knowledge industry and support services hub to complement an important development goal of Shanghai to become the value-added service centre of China. The district is also home to over

10 universities and colleges, including Fudan University, Tongji University and Shanghai Finance University. The presence of 22 key state laboratories and 65 scientific research institutes gives the district an unparalleled competitive advantage in becoming the intellectual hub of Shanghai. Another advantage for Yangpu District is its proximity to Hongkou District.





## KNOWLEDGE AND INNOVATION COMMUNITY

**Site location:** The Knowledge and Innovation Community ("KIC") project is strategically located in the immediate vicinity of major universities and colleges in Yangpu District, northeast of downtown Shanghai. The public transportation network provides commuters with multiple connections between the project and the city centre, including the Middle-Ring Highway, over 30 public transportation routes and Metro Line 10.

**Master-plan:** The project is designed to be a multi-functional community with a lifestyle characterised by health and sustainability. Through the project, the Group is facilitating the transformation of the Yangpu District from an industrial and manufacturing area to a plateau for knowledge and innovation. The project draws on readily available education and human resources in the vicinity. The ultimate goal is to create an environment that fosters innovation, commercialisation, technological development, cultural activities, research and business incubation, as well as growth and development.

Since 2003, GFA of over 339,000 sq.m. have been progressively developed as office and retail properties, while the Group has retained 160,000 sq.m. in its investment property portfolio. In 2014, 86,000 sq.m. of office space and 10,000 sq.m. of retail space at Lot 311 were completed, with a remaining GFA of 23,000 sq.m. planned for development into a hotel. At Lot 12-8, the development of a GFA of 5,000 sq.m. into office space is also underway. The occupancy rate at the KIC remains stable, with established technology companies, including EMC, Oracle, EBAO, VMware, Splunk, PCCW and IBM as tenants. KIC is one of the two cloud centres of Shanghai, and we have established a strong big data and cloud value chain.

The last batch of residential units at Jiangwan Regency, the residential development of Lot 311, were sold in 2013 with an ASP reaching RMB38,600 per sq.m. This represents an over 100% increase in ASP from when the first phase was launched in 2007 at RMB18,700 per sq.m.. To-date, a total GFA of 132,000 sq.m. in residential developments has been sold and delivered in this project.

KIC is an international knowledge community that aims to integrate work, live, learning and play. KIC has been regarded as landmark of innovation and entrepreneurship in Shanghai. After 11 years of development, KIC has emerged as a cradle for entrepreneurs, and a mature knowledge community which combines entrepreneurship spirit and vibrant culture communications. Over 500 start-ups are growing in KIC, and they play pioneer roles in multiple industries including TMT, design, clean tech, etc. Nearby universities, industry giants (MNC tenants), and growing start-ups have come together to form a mutually beneficial eco-system. KIC is where dreams are made and realised.

– InnoSpace, an incubator powered by KIC, is an ultra short-term incubation platform for cell-sized enterprises. Apart from the provision of plug-and-play space, InnoSpace focuses on "incubation + investment" mode for the purpose of building InnoSpace into an early-stage incubator with considerable influences and niche in internet & mobile internet in Shanghai.

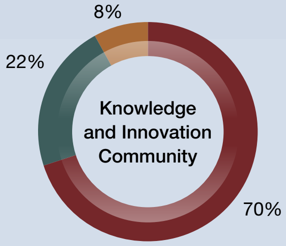
– University Avenue is a vibrant part of KIC. The road offers a wide selection of gourmet cuisines from various regions including Mexico, Thailand and Italy. Those coffee shops, leisure restaurants, independent book stores and creative retail stores can be seen everywhere in University Avenue, which certainly inspire your daily life just as you are in Silicon Valley or the left bank of Paris.

– Hundreds of events take place in KIC throughout the year, including Shanghai's Mayor Conference, annual Makers Carnival, Christmas Countdown, Global Hackathons, etc. These events attract participation from thousands of people who favor Innovation, Entrepreneurship, and Lifestyles of Health and Sustainability (LOHAS).

The following table shows the usage mix of the project as of 31 December 2014 based on the Master-plan:

| | Approximate/Estimated leasable and saleable GFA | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Residential sq.m. | Office sq.m. | Retail sq.m. | Hotel/ serviced apartment sq.m. | **Sub-total GFA sq.m.** | Clubhouse, carpark and other facilities sq.m. | **Total GFA sq.m.** | Group's interest % |
| **Completed properties** | | | | | | | | |
| KIC Village R1 | – | – | 7,000 | – | **7,000** | 11,000 | **18,000** | 86.8% |
| KIC Village R2 (Lots 7-9, 8-2) | – | 6,000 | 3,000 | – | **9,000** | 7,000 | **16,000** | 86.8% |
| KIC Village R2 (Lot 7-7) | – | 6,000 | 1,000 | – | **7,000** | 17,000 | **24,000** | 86.8% |
| KIC Plaza Phase 1 | – | 29,000 | 21,000 | – | **50,000** | 25,000 | **75,000** | 86.8% |
| KIC Plaza Phase 2 | – | 39,000 | 10,000 | – | **49,000** | 30,000 | **79,000** | 86.8% |
| KIC C2 (Lots 5-7, 5-8) | – | 27,000 | 11,000 | – | **38,000** | 12,000 | **50,000** | 86.8% |
| Jiangwan Regency (Lot 311 Phase 1) | – | – | – | – | **–** | 19,000 | **19,000** | 99.0% |
| 1-7 KIC Corporate Avenue (Lot 311 Phase 2, Stage 1) | – | 83,000 | 10,000 | – | **93,000** | 44,000 | **137,000** | 99.0% |
| **Subtotal** | **–** | **190,000** | **63,000** | **–** | **253,000** | **165,000** | **418,000** | |
| **Properties under development** | | | | | | | | |
| Lot 311 Phase 2, Stage 2 | – | – | – | 23,000 | **23,000** | – | **23,000** | 99.0% |
| Lot 12-8 | – | 5,000 | – | – | **5,000** | 2,000 | **7,000** | 86.8% |
| **Subtotal** | **–** | **5,000** | **–** | **23,000** | **28,000** | **2,000** | **30,000** | |
| **Total** | **–** | **195,000** | **63,000** | **23,000** | **281,000** | **167,000** | **448,000** | |

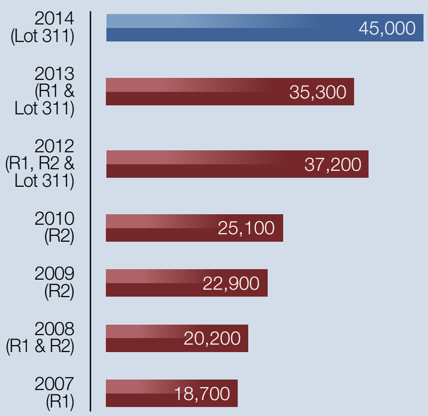
## GFA by Usage




| | sq.m. |
|---|---|
| Office | 195,000 |
| Retail | 63,000 |
| Hotel/Serviced Apartment | 23,000 |
| Total Leasable and Saleable GFA | 281,000 |

## Residential ASP

(RMB/sq.m.)

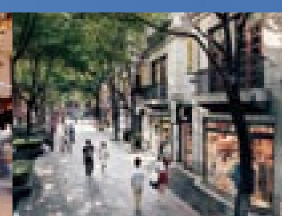



## MARKET UPDATES AND PROJECT PROFILES

# WUHAN

Situated at the junction of the Yangtze and Han rivers, Wuhan is the capital city of Hubei Province. It is central China's largest city and a nucleus of manufacturing, commerce, and transportation. Within central China, Wuhan is the focus of the Country's new urbanization growth strategy, playing a key role in regional economic development. Wuhan has six major industries with total industrial output of more than RMB1,176.5 billion in 2014, including automobiles, electronics and communications, equipment manufacture, food and tobacco, energy and environmental

protection, and steel deep-processing. Meanwhile, Wuhan's strategic value as a transportation hub has been further enhanced by its emergence as a major hub within China's high speed railway (HSR) framework. Rail travel time between Wuhan to major cities in China takes only around four hours.



## MARKET UPDATES AND PROJECT PROFILES

# WUHAN TIANDI

**Site location:** The Wuhan Tiandi project is situated in the city centre of Hankou District. It occupies a prime location on the Yangtze River waterfront, with unparalleled views of the Yangtze River and scenic Jiangtan Park. In December 2008, the municipal government formally approved plans for a 'Riverside Business Zone' which includes the Wuhan Tiandi project. The Riverside Business Zone is designed to be a premium destination for the city's financial and business needs, as well as a hub for innovation and culture.

**Master-plan:** Wuhan Tiandi is a large-scale, mixed-use redevelopment comprising two major sites. Site A includes office towers, retail, food and beverage, and entertainment facilities, together with some residential blocks. Site B comprises mainly residential and office buildings, supported by an ancillary retail centre. The project has become a landmark in Wuhan, thanks to a careful balance of preserving local historical architecture while injecting new commercial value. With a total GFA of 46,000 sq.m., the retail and food and beverage component have been in operation since 2007, and is included in the Group's investment property portfolio. In 2014, the government of Wuhan approved Wuhan Tiandi to increase plot ratio of Site B by 189,000 sq.m.. An initial payment of RMB700 million was paid in 2014.

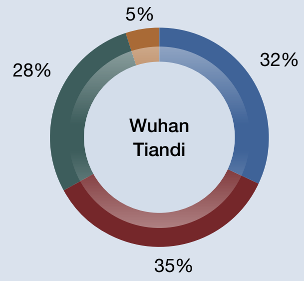
Residential developments in Wuhan Tiandi have been well received by the market. Site A residential units were sold and delivered. In Site B, Wuhan Tiandi B9 & B11, comprising a total GFA of 120,000 sq.m., were also sold and delivered following its completion since 2012. Further GFA of 57,000 sq.m. of Wuhan Tiandi B13 have been delivered during 2014. Construction work at Lot B14, with a total GFA of 88,000 sq.m. for residential use, commenced in the second half of 2013 and was launched for pre-sale in late 2014. Completion is planned for 2016.

The commercial development of Lots A1/A2/A3, offering a total GFA of 392,000 sq.m., comprises a retail podium, 3 office towers and a hotel. Construction of two premium office blocks and the shopping mall is in progress. In December 2014, the office tower at Lot A2, with an estimated GFA of 44,000 sq.m., was sold for a consideration amounted to RMB939 million and is planned to be delivered in 2015. The remaining GFA of 57,000 sq.m. of office building at Lot A3 and 111,000 sq.m. shopping mall at Lots A1/A2/A3 are scheduled for completion in 2015. In 2014, Lots B4/B5 had commenced development for a total GFA of 116,000 sq.m. and is scheduled to be completed in 2017.

The following table shows the usage mix of the project as of 31 December 2014 based on the Master-plan:

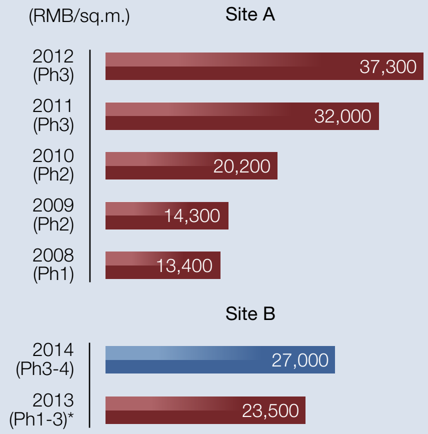
| | Approximate/Estimated leasable and saleable GFA | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Residential sq.m. | Office sq.m. | Retail sq.m. | Hotel/ serviced apartment sq.m. | **Sub-total GFA sq.m.** | Clubhouse, carpark and other facilities sq.m. | **Total GFA sq.m.** | Group's interest % |
| **Completed properties** | | | | | | | | |
| Wuhan Tiandi (Lots A4-1/2/3) | – | – | 46,000 | – | **46,000** | 25,000 | **71,000** | 100.0% |
| Wuhan Tiandi B13 (Lot B13) | – | – | – | – | **–** | 22,000 | **22,000** | 100.0% |
| **Subtotal** | **–** | **–** | **46,000** | **–** | **46,000** | **47,000** | **93,000** | |
| **Properties under development** | | | | | | | | |
| HORIZON (Lots A1/A2/A3 mall) | – | – | 111,000 | – | **111,000** | 123,000 | **234,000** | 100.0% |
| Lot A2 | – | 44,000 | – | – | **44,000** | – | **44,000** | 100.0% |
| Lot A3 | – | 57,000 | – | – | **57,000** | – | **57,000** | 100.0% |
| Wuhan Tiandi B14 (Lot B14) | 88,000 | – | – | – | **88,000** | 25,000 | **113,000** | 100.0% |
| Lot A1 | – | 135,000 | – | 45,000 | **180,000** | 1,000 | **181,000** | 100.0% |
| Lots B4/B5 | 42,000 | – | 74,000 | – | **116,000** | 76,000 | **192,000** | 100.0% |
| **Subtotal** | **130,000** | **236,000** | **185,000** | **45,000** | **596,000** | **225,000** | **821,000** | |
| **Properties for future development** | | | | | | | | |
| **Subtotal** | **243,000** | **166,000** | **91,000** | **7,000** | **507,000** | **4,000** | **511,000** | 100.0% |
| **Total** | **373,000** | **402,000** | **322,000** | **52,000** | **1,149,000** | **276,000** | **1,425,000** | |

## GFA by Usage




| | sq.m. |
|---|---|
| Residential | 373,000 |
| Office | 402,000 |
| Retail | 322,000 |
| Hotel/Serviced Apartment | 52,000 |
| Total Leasable and Saleable GFA | 1,149,000 |

## Residential ASP



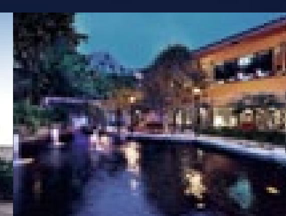

* Residential Ph1-3 & Retail

## MARKET UPDATES AND PROJECT PROFILES

# CHONGQING

Chongqing is strategically located to the east of Sichuan Province in the Sanxia (or Three Gorges) area, in the upstream section of the Yangtze River. It is the only municipality in western China (the other three being Beijing, Shanghai and Tianjin). Together with its five neighbouring provinces, Chongqing covers a regional market with a population of 305.0 million, and is emerging as the regional economic hub of western China. Given its inland location and relatively low urbanization rate, Chongqing stands to gain as the new leadership of China focuses on re-balancing and

urbanization strategies. Sustained investment in key infrastructure projects connecting the western region to Chongqing, and Chongqing to the rest of China, have enabled Chongqing to play a dominant role as the catalyst for growth in western China. In 2014, GDP growth in Chongqing reached 10.9%.



# CHONGQING TIANDI

**Site location:** The Chongqing Tiandi project is located in Yuzhong District, the International Business District of Chongqing.

**Master-plan:** Chongqing Tiandi is an urban redevelopment project. The Master-plan for this project includes a man-made lake with pavilions and a promenade along the waterfront, a commercial core comprising Grade A office buildings, exhibition and conference facilities, luxury-standard hotels, and retail and entertainment outlets. Hillside residential clusters were designed to replicate Chongqing's traditional hill-town characteristics and to offer scenic views of the lake and river. The development of this project envisages establishing a service hub to support Chongqing's economic development. In 2012, the project was authorised as Chongqing's "International Business District" by the Chongqing Foreign Trade and Economic Relations Commission.

Since 2008, the residential "Riviera I to V" have been progressively completed and delivered to customers, comprising a total GFA of 645,000 sq.m.. The Riviera V, Stage 2, with a total GFA of 170,000 sq.m., was completed in 2014. Amongst which, GFA of 168,000 sq.m. are for residential use and are now in the delivery progress to the buyers. The remaining GFA of 2,000 sq.m. are retail space to be sold. Additionally, the pre-sale of Riviera VI was also launched in October 2014, which is under construction currently and slated for delivery in 2016.

The ASP* of the residential units sold to date has increased from RMB7,100 per sq.m. in 2009 to RMB11,900 per sq.m. in 2014 (base on contracted sales price).

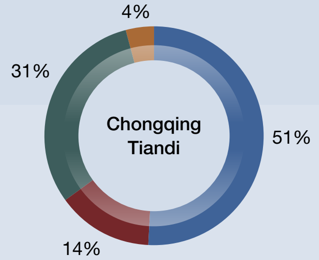
In the commercial cluster, the office tower area of 2 to 8 Corporate Avenue (Lot B11-1/02 Phase 1, Lots B12-1, B12-3 and B12-4) comprising GFA of 351,000 sq.m. and 4,000 sq.m. for retail use, were sold and completed progressively from 2012 to 2014. Meanwhile, the occupancy rate of 2 Corporate Avenue is about 12%, 4 Corporate Avenue is 90%, 5 Corporate Avenue is 56%. There are more than 80 tenants located in Corporate Avenue, which include DELOITTE, KONE, DAKIN, METLIFE, SUNSHINE INSURANCE, ROCKWELL and SCHNEIDER, amongst others. The other 79,000 sq.m. in GFA for retail use, include the Jialing Mall at Lots B12-3 and B12-4 with GFA of 68,000 sq.m., and the Lot B11-1/02 Phase 1 podium with GFA of 11,000 sq.m., will be opened in 2015. Leases with a number of quality tenants, which include Baorun Tesla Lease Centre (opened in advance), "Memories of Times"-"A Bite of China" Gourmet Complex, PALACE and Mothercare, have already been signed.

* The ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.

The following table shows the usage mix of the project as of 31 December 2014 based on the Master-plan:

| | Approximate/Estimated leasable and saleable GFA | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Residential sq.m. | Office sq.m. | Retail sq.m. | Hotel/ serviced apartment sq.m. | **Sub-total GFA sq.m.** | Clubhouse, carpark and other facilities sq.m. | **Total GFA sq.m.** | Group's interest % |
| **Completed properties** | | | | | | | | |
| The Riviera I (Lot B1-1/01) | – | – | 1,000 | – | **1,000** | 11,000 | **12,000** | 99.0% |
| Chongqing Tiandi (Lot B3/01) | – | – | 49,000 | – | **49,000** | 25,000 | **74,000** | 99.0% |
| The Riviera II (Lot B2-1/01) | 5,000 | – | 4,000 | – | **9,000** | 32,000 | **41,000** | 99.0% |
| The Riviera III (Lot B19/01) | – | – | 4,000 | – | **4,000** | 17,000 | **21,000** | 99.0% |
| The Riviera IV (Lot B20-5/01) | 5,000 | – | – | – | **5,000** | 20,000 | **25,000** | 99.0% |
| 2 Corporate Avenue (Lot B11-1/02 Phase 1) | – | – | 11,000 | – | **11,000** | 16,000 | **27,000** | 99.0% |
| 6, 7 Corporate Avenue (Lot B12-3/02) | – | – | 37,000 | – | **37,000** | 13,000 | **50,000** | 99.0% |
| 8 Corporate Avenue (Lot B12-4/02 ) | – | – | 31,000 | – | **31,000** | 12,000 | **43,000** | 99.0% |
| The Riviera V (Lot B18/02) | 88,000 | – | 5,000 | – | **93,000** | 43,000 | **136,000** | 99.0% |
| **Subtotal** | **98,000** | **–** | **142,000** | **–** | **240,000** | **189,000** | **429,000** | |
| **Properties under development** | | | | | | | | |
| The Riviera VI (Lot B16/03) | 173,000 | – | 12,000 | – | **185,000** | 65,000 | **250,000** | 99.0% |
| 1, 10 Corporate Avenue (Lot B11-1/02 Phases 2&3) | – | 259,000 | 104,000 | 25,000 | **388,000** | 114,000 | **502,000** | 99.0% |
| **Subtotal** | **173,000** | **259,000** | **116,000** | **25,000** | **573,000** | **179,000** | **752,000** | |
| **Properties for future development** | | | | | | | | |
| **Subtotal** | **676,000** | **–** | **307,000** | **50,000** | **1,033,000** | **374,000** | **1,407,000** | 99.0% |
| **Total** | **947,000** | **259,000** | **565,000** | **75,000** | **1,846,000** | **742,000** | **2,588,000** | |

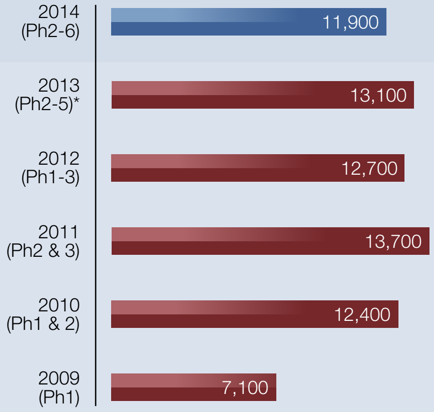
## GFA by Usage




| | sq.m. |
|---|---|
| Residential | 947,000 |
| Office | 259,000 |
| Retail | 565,000 |
| Hotel/Serviced Apartment | 75,000 |
| Total Leasable and Saleable GFA | 1,846,000 |

## Residential ASP

(RMB/sq.m.)

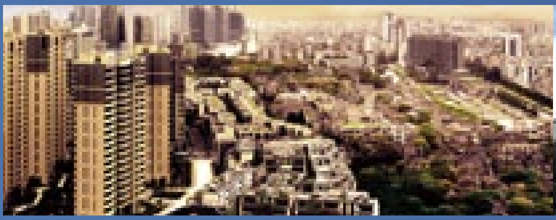



* Residential Ph2-5 & Retail

## MARKET UPDATES AND PROJECT PROFILES

# FOSHAN

Situated at the heart of the Pearl River Delta and only 28 km to the southwest of the Guangzhou city centre, Foshan is one of the most vigorous cities of China, supported by its economic dynamism along with a rich historical and cultural heritage. Despite the impact of the global financial crisis, Foshan's economic growth has led the region in recovery. In 2014, the GDP growth of Foshan was 8.6%. GDP per capita of the city has also achieved high-income status, according to the World Bank's high-income threshold. In order to ensure the city's sustainable development, the Foshan government has committed to ambitious urban renewal projects, high-tech park establishment and investment in transportation infrastructure. Specifically, the reconstruction and revitalization of Zumiao historic and cultural



buildings is one of the government's core tasks. Foshan is developing two major new business zones, namely the Sino-German Industrial Service Zone and the Guangdong High-Tech Service Zone, which will significantly boost Foshan's economic prospects and vitality. Besides the Guangfo Metro, which has linked downtown Foshan with downtown Guangzhou since 2011, construction has also started in 2014 for Guangfo Metro Line 2, which will connect Foshan to the Guangzhou high-speed rail station. The new line is slated for completion by 2019.

# FOSHAN LINGNAN TIANDI

**Site Location:** The Foshan Lingnan Tiandi project is strategically located in the old town centre of central Chancheng District, Foshan's traditional downtown area and public transportation hub. The project was listed as a part of the renowned Lingnan-culture area, which is to become a national 5A tourist destination. Two subway stations of the Guangzhou-Foshan line connect to the project site.

**Master-plan:** The project is a large-scale urban redevelopment, comprising office, retail, hotel and cultural facilities and residential complexes in an integrated community. The centrepiece of Foshan's cultural heritage is Zumiao, an immaculately preserved ancient Taoist temple. This and another well-known historic area, the Donghuali, are national grade heritage sites and are both located within the project. The Foshan municipal government's plan is to upgrade the area into a business and commercial zone, focusing on business, culture, and tourism.

Residential units of the Foshan Lingnan Tiandi project were first launched in 2010 and had achieved encouraging results. Low-rise apartments at The Regency Phase 1 (Lot 4) and the townhouses at The Legendary Phase 1 (Lot 14) were delivered to buyers from 2011. The low-rise and mid-rise apartments at The Regency Phase 2 (Lot 5) and the townhouses at The Legendary Phase 2 (Lot 15) were launched in 2012 and have been delivered to buyers. The high-rise and mid-rise apartments, offering a total GFA of 43,000 sq.m. in Lingnan Tiandi • Park Royale (Lot 6), and the retail portion in Lingnan Tiandi • The Imperial (Lot 16), were launched in the second half of 2013 and delivered in 2014. The retail portion in Lot 3 Phase 1 with a total GFA of 2,000 sq.m. was also completed and launched for sale in 2014.

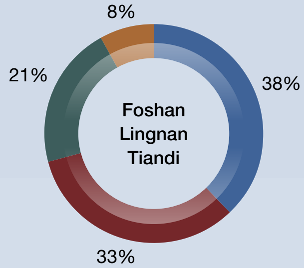
Since 2012, sales acrossing the entire Foshan market have experienced slowdown due to the home purchase restriction policies implemented by the PRC government. Therefore, to stimulate sales, we changed the product layouts for Lingnan Tiandi • The Metropolis (Lot 18), which offers a total GFA of 98,000 sq.m. and launched the units in bare-shell condition at an ASP of RMB10,300 per sq.m.. Home purchase restriction in Foshan have since been lifted in August 2014, and we have correspondingly seen a pick-up in sales momentum.

Construction work for other retail and office space of total GFA of 108,000 sq.m. located at Lot 18 and Lot E is underway. Completion is planned to be in 2015.

The following tables show the usage mix of the project as of 31 December 2014 based on the Master-plan:

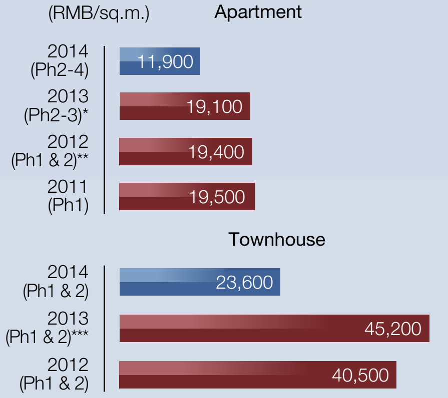
| | Approximate/Estimated leasable and saleable GFA | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Residential sq.m. | Office sq.m. | Retail sq.m. | Hotel/ serviced apartment sq.m. | Sub-total GFA sq.m. | Clubhouse, carpark and other facilities sq.m. | Total GFA sq.m. | Group's interest % |
| **Completed properties** | | | | | | | | |
| The Regency Phase 1 (Lot 4) | – | – | – | – | – | 7,000 | 7,000 | 100.0% |
| The Legendary Phase 1 (Lot 14) | 1,000 | – | – | – | 1,000 | 5,000 | 6,000 | 100.0% |
| Lingnan Tiandi Phase 1 (Lot 1 Ph1) | – | – | 15,000 | – | 15,000 | – | 15,000 | 100.0% |
| Marco Polo Lingnan Tiandi Foshan Hotel | – | – | 14,000 | 38,000 | 52,000 | 25,000 | 77,000 | 100.0% |
| The Regency Phase 2 (Lot 5) | 3,000 | – | – | – | 3,000 | 10,000 | 13,000 | 100.0% |
| The Legendary Phase 2 (Lot 15) | 9,000 | – | – | – | 9,000 | 10,000 | 19,000 | 100.0% |
| Lingnan Tiandi Phase 2 (Lot 1 Ph2) | – | – | 34,000 | – | 34,000 | – | 34,000 | 100.0% |
| Lot 13b | – | – | – | – | – | 6,000 | 6,000 | 100.0% |
| Lingnan Tiandi • Park Royale (Lot 6) | 32,000 | – | 3,000 | – | 35,000 | 29,000 | 64,000 | 55.9% |
| Lingnan Tiandi • The Imperial (Lot 16) | 12,000 | – | 1,000 | – | 13,000 | 10,000 | 23,000 | 55.9% |
| Lot 3 Phase1 | – | – | 2,000 | – | 2,000 | – | 2,000 | 100.0% |
| **Subtotal** | **57,000** | **–** | **69,000** | **38,000** | **164,000** | **102,000** | **266,000** | |
| **Properties under development** | | | | | | | | |
| Lingnan Tiandi • The Metropolis (Lot 18) | 98,000 | – | 18,000 | – | 116,000 | 43,000 | 159,000 | 100.0% |
| NOVA (Lot E) | – | 15,000 | 75,000 | – | 90,000 | 33,000 | 123,000 | 100.0% |
| Lot G | – | – | 2,000 | – | 2,000 | – | 2,000 | 100.0% |
| Lingnan Tiandi Phase 3 (Lot 1 Ph3) | – | – | 5,000 | – | 5,000 | – | 5,000 | 100.0% |
| **Subtotal** | **98,000** | **15,000** | **100,000** | **–** | **213,000** | **76,000** | **289,000** | |
| **Properties for future development** | | | | | | | | |
| **Subtotal** | 377,000 | 450,000 | 125,000 | 80,000 | 1,032,000 | 10,000 | 1,042,000 | 100.0% |
| **Total** | **532,000** | **465,000** | **294,000** | **118,000** | **1,409,000** | **188,000** | **1,597,000** | |

## GFA by Usage




| | sq.m. |
|---|---|
| Residential | 532,000 |
| Office | 465,000 |
| Retail | 294,000 |
| Hotel/Serviced Apartment | 118,000 |
| Total Leasable and Saleable GFA | 1,409,000 |

## Residential ASP



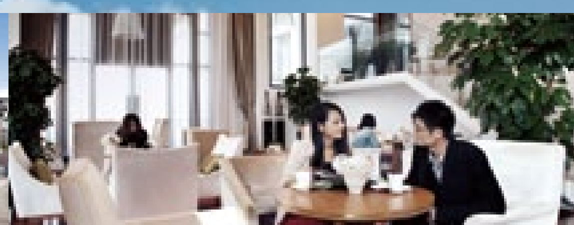

* Low-/mid-rises Ph2 & Mid-/high-rises Ph3 & Retail
** Low-rises Ph1 & Low-/mid-rises Ph2 & Retail
*** Townhouses Ph1-2 & Retail

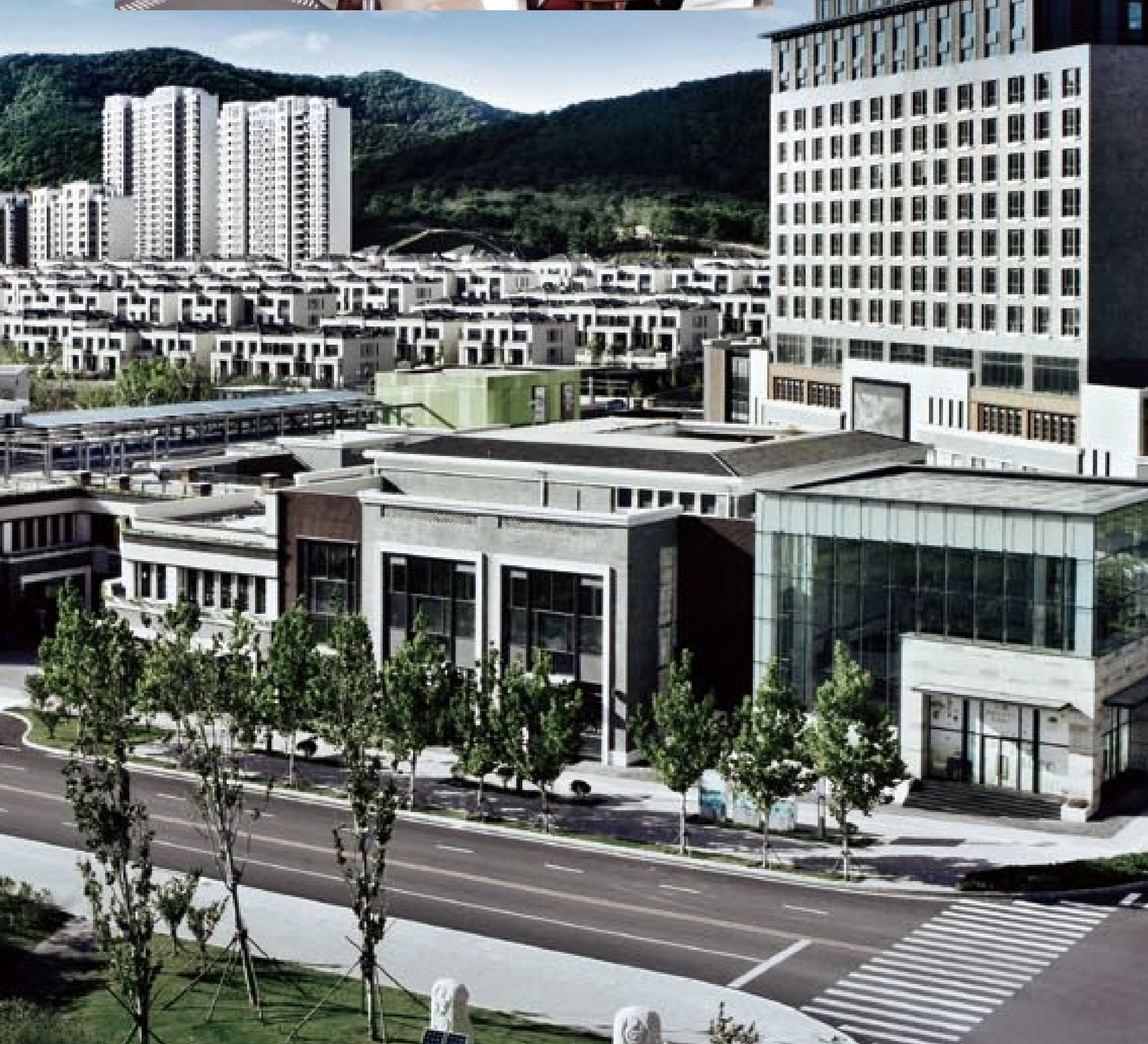
## MARKET UPDATES AND PROJECT PROFILES

# DALIAN

Dalian is a port city in Liaoning Province and also the major gateway for China's northeast region. Endowed with an advantageous coastal location and world class infrastructure, Dalian is an important economic hub of northeast China. The city has a proven track record in developing the information technology outsourcing ("ITO") and business process outsourcing ("BPO") industries. Rapid economic growth momentum is sustainable under a clear development blueprint, effective government leadership, and a sound business environment that will continue to attract capital and talent.

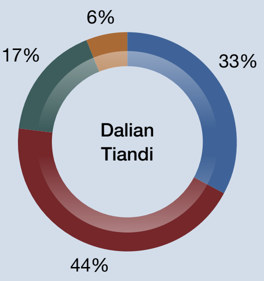
In 2014, the estimated GDP of Dalian reached RMB765.6 billion, an increase of 5.8% from a year ago. Dalian has also further optimised its export structure, strengthening the exports of domestic private enterprises, bringing total exports in 2014 to USD29.5 billion. The actual use of foreign capital was USD14 billion, ranking Dalian at the top amongst nationwide sub-provincial cities for five consecutive years.





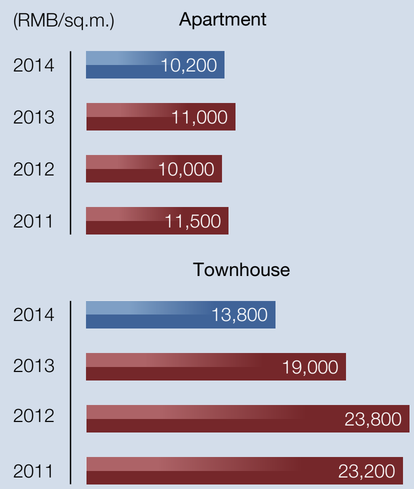
# MARKET UPDATES AND PROJECT PROFILES

## GFA by Usage




| | sq.m. |
|---|---|
| Residential | 958,000 |
| Office | 1,280,000 |
| Retail | 492,000 |
| Hotel/Serviced Apartment | 185,000 |
| Total Leasable and Saleable GFA | 2,915,000 |

## Residential ASP




# DALIAN TIANDI

**Site location:** Dalian Tiandi is an integrated mixed-use development set in the scenic city of Dalian in China's northeast Liaoning Province.

**Master-plan:** The Dalian Tiandi project envisages a green, highly modern, trendsetting community development that is designed to appeal primarily to green living enthusiasts and knowledge workers. Situated at the midpoint of South Lvshun Road Software Industry Belt, Dalian Tiandi extends across a 12.5 kilometre range. The project goal is to create a suburban lifestyle. To-date, a total GFA of 207,000 sq.m. has been developed into office space, with tenants including established technology companies such as IBM, Ambow, and Chinasoft; and also a total GFA of 41,000 sq.m. has been developed into a retail podium.

In terms of its residential profile, the ASPs of contracted sales of villas and residential apartments are RMB13,800 per sq.m. and RMB10,200 per sq.m. respectively. In 2014, a total GFA of 91,000 sq.m. of residential area in Lot B09, Lot B13 and Lot C01 in Hekou Bay (Site A of Dalian Tiandi) was completed. Another total GFA of 201,000 sq.m. is currently under construction for residential usage.

The following table shows the usage mix of the project as of 31 December 2014 based on the Master-plan:

| | Approximate/Estimated leasable and saleable GFA | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Residential sq.m. | Office sq.m. | Retail sq.m. | Hotel/ serviced apartment sq.m. | **Sub-total GFA sq.m.** | Clubhouse, carpark and other facilities sq.m. | **Total GFA sq.m.** | Group's interest % |
| **Completed properties** | | | | | | | | |
| **Huangnichuan North** | | | | | | | | |
| Lot D22 (Software Office) | – | 42,000 | – | – | **42,000** | 15,000 | **57,000** | 48.0% |
| Lot B02 (Ambow Training School) | – | 113,000 | – | – | **113,000** | 4,000 | **117,000** | 48.0% |
| Lot D14 (SO2/SO4) | – | 52,000 | – | – | **52,000** | 10,000 | **62,000** | 48.0% |
| Lot E06 (Villas) | 15,000 | – | – | – | **15,000** | 7,000 | **22,000** | 48.0% |
| Lot E06 (Mid-/high-rises) | – | – | – | – | **–** | 31,000 | **31,000** | 48.0% |
| Lot E29 | – | – | – | – | **–** | 11,000 | **11,000** | 48.0% |
| Lot C10 (Engineer Apartment) | 37,000 | – | – | – | **37,000** | 9,000 | **46,000** | 48.0% |
| Lot D10 (IT Tiandi) | – | – | 41,000 | – | **41,000** | – | **41,000** | 48.0% |
| Lot C14 | – | – | – | – | **–** | 24,000 | **24,000** | 48.0% |
| **Hekou Bay** | | | | | | | | |
| Lot B09 | 2,000 | – | – | – | **2,000** | 17,000 | **19,000** | 33.6% |
| Lot B13 | 19,000 | – | – | – | **19,000** | 21,000 | **40,000** | 48.0% |
| Lot C01 | 2,000 | – | – | – | **2,000** | 7,000 | **9,000** | 33.6% |
| **Subtotal** | **75,000** | **207,000** | **41,000** | **–** | **323,000** | **156,000** | **479,000** | |
| **Properties under development** | | | | | | | | |
| **Huangnichuan North** | | | | | | | | |
| Lot D14 (SO5) | – | 36,000 | – | – | **36,000** | 15,000 | **51,000** | 48.0% |
| Lot D10 (Hotel) | – | – | – | 33,000 | **33,000** | 22,000 | **55,000** | 48.0% |
| Lot C22 | 21,000 | – | – | – | **21,000** | 10,000 | **31,000** | 48.0% |
| Lot E02 | 135,000 | – | – | – | **135,000** | 40,000 | **175,000** | 48.0%[1] |
| other lots | 169,000 | 14,000 | 18,000 | – | **201,000** | 93,000 | **294,000** | 48.0% |
| **Hekou Bay** | | | | | | | | |
| Lot B08 | 18,000 | – | 14,000 | – | **32,000** | 5,000 | **37,000** | 33.6% |
| Lot B02 (SO) | – | 29,000 | 1,000 | – | **30,000** | 36,000 | **66,000** | 48.0% |
| Lot C03 | 27,000 | – | – | 13,000 | **40,000** | 15,000 | **55,000** | 33.6% |
| other lots | 119,000 | 127,000 | 156,000 | 97,000 | **499,000** | 84,000 | **583,000** | 48.0% |
| **Subtotal** | **489,000** | **206,000** | **189,000** | **143,000** | **1,027,000** | **320,000** | **1,347,000** | |
| **Properties for future development[2]** | | | | | | | | |
| **Subtotal** | **394,000** | **867,000** | **262,000** | **42,000** | **1,565,000** | **–** | **1,565,000** | 48.0%[1] |
| **Total** | **958,000** | **1,280,000** | **492,000** | **185,000** | **2,915,000** | **476,000** | **3,391,000** | |

1 The Group has a 48.0% interest in Dalian Tiandi, except for Lots C01, C03, B08, B09 and E02A in which the Group has a 33.6% effective interest.

2 Dalian Tiandi has a landbank of 3.4 million sq.m. in GFA. As of 31 December 2014, approximately 3.1 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. will be acquired through public bidding in due course.

# NEW THINKING

## A NEW PERSPECTIVE

# MANAGING FOR CHANGE

## IMPROVING SHAREHOLDER RETURNS

In 2015, our top priority will be to continue improving the Group's profitability and liquidity by accelerating asset turnover and reducing debt. From 2011 till now, we undertook *en-bloc* disposals of our investment property, including more than eleven Grade-A office buildings and two 5-star hotels for a total consideration of over RMB15.32 billion. We will continue to sell down our interest in mature and stabilised or non-core assets to unlock their stored value and to provide financial resources for our future growth. Also, we have invested more than RMB19 billion in relocation of 6 residential and 2 commercial sites in Shanghai Rui Hong Xin Cheng and Shanghai Taipingqiao since 2011 which will lead to a stable growth of sales starting second half of 2015.

In 2014, Shui On Land carried out a number of exercises aimed at enhancing our debt portfolio. During this process, we exchanged and tendered around 50% of the two maturing bonds and successfully extended their maturity. We also issued one RMB bond in February and two USD bonds in June and November, raising a total of RMB8.8 billion equivalent for our funding and refinancing needs and preparing for the repayment in 2015. We will continue to follow our disciplined approach of prudent financial management to reduce our interest expenses and gearing ratio. In doing so, we will closely monitor the property and financial markets while striving to improve and strengthen the overall financial performance of the Group in the near term.

DANIEL WAN

MATTHEW GUO

## VALUE-DRIVEN HR MANAGEMENT

Shui On Land constantly challenges itself to improve its human resources management and system. By doing so, we aim to create the best value for our clients and shareholders while winning the trust and respect from our stakeholders. We are now enhancing our performance management system by rewarding high-performing employees who have made a positive contribution to the Group's business development by giving them freedom to do what they are good at. In response to the developmental needs of the Group, we have also promoted able staff to key management positions. These initiatives have helped all our staff to understand the Group's determination to grow and fostered a vision of growing with the Group.

The Group's management encourages behaviour that conforms with our corporate culture through a rigorous management and incentive system. Looking ahead, we will continue to strive for system improvement by aligning the Group's performance targets with the performance of every project, department and member of management. We will also focus more on results and keep a balance between short-term and long-term performance. These measures align our long-term growth with staff members' individual development goals so we can excel according to the Shui On Spirit of Integrity • Dedication • Innovation • Excellence.

## ALIGNING RESOURCES AND OPPORTUNITIES

In the near future, the Group will focus on growth opportunities in our existing cities as well as in other suitable first and second-tier cities. These projects will be undertaken based on our City Centre Master-plan, Transportation Hub or Knowledge Community models.

For the City Centre Master-plan model, we will continue to ride on our expertise and strengths while strategically deploying our resources to focus on urban renewal and revitalisation on sites that have been cleared, and this could be extended to include city sub-centres for promoting regional development. We believe this will contribute to a more stable investment model and effective matching of our resources.

Under our Transportation Hub model, we will leverage our experience in developing comprehensive projects, incorporating commercial and office facilities around existing important transportation hubs or metro stations.

The Knowledge Community model is based on Shui On's Knowledge and Innovation Community, in which a development organically integrates learning, lifestyle, innovation, entrepreneurship and industrial elements.

With a more streamlined and flexible business approach, we will continue to participate in the revitalisation of old neighbourhoods and are in discussion with local governments on a number of potential projects, in which our key priority will be to maximise returns and value.

JESSICA WANG

ALLAN ZHANG

## INNOVATION AND ENTREPRENEURSHIP

Increasingly, Shui On Land is gaining a reputation for building Knowledge Communities based on the success of our first Knowledge Community project, the Knowledge and Innovation Community in Shanghai. This model brings together an integrated environment with culture and lifestyle elements, knowledge and technology, innovation and entrepreneurship. In November 2014, we formed a joint venture platform with a Middle East institutional investor for a total capital commitment of USD600 million. The endorsement of this investor will help us accelerate our Knowledge Community business model in key strategic locations in the Chinese Mainland.

With our strong operation team, we have the ability to connect leading technology companies and venture capitals with the academic and LOHAS community. At the Knowledge and Innovation Community, we have a wholly owned and operated incubator, InnoSpace, a start-up mingling place, the IPO Club and University Avenue, a vibrant space where a young, vibrant LOHAS lifestyle is being created. Over the next few years, we aim to build up a nationwide Knowledge Community network by investing in and developing several new Knowledge Community projects. Our Knowledge Community model is in alignment with the government's latest plans to promote knowledge-based industries and encourage innovation and entrepreneurship.

CHARLES CHAN

# BUSINESS REVIEW

The Commercial Cluster at Chongqing Tiandi boosts the city's internationalisation

For the year ended 31 December 2014, the Group recorded turnover of RMB10,249 million, with property sales and rental and related income from investment properties accounting for RMB8,543 million or 83% and RMB1,578 million or 16%, respectively, of total turnover. The remaining 1%, or RMB128 million, was generated from other income.

In addition to property sales recognised as turnover, another RMB4,924 million of property sales was recognised as disposal of investment properties mainly for 2 Corporate Avenue in Chongqing Tiandi, disposal of equity in subsidiary holding the Langham Xintiandi Hotel, and turnover of associates. Going forward, the Group will continue to dispose investment properties and undertake *en-bloc* sales of commercial properties at appropriate time to realise the value of the Group's commercial properties as well as to increase asset turnover and capital recycling.

As of 31 December 2014, total locked-in sales including disposal of commercial properties for delivery in 2015 and beyond, was RMB4,391 million (including contributions from Dalian associates), with a total gross floor area ("GFA") of 255,000 square metres ("sq.m.").

## Property Sales

### Recognised Property Sales

The total recognised property sales, including property sales recognised as turnover, disposal of investment properties, disposal of equity in subsidiary holding commercial properties and turnover of associates, was RMB13,467 million, an increase of 2%, for a total GFA of 552,400 sq.m. for the reporting year. The average selling price ("ASP") increased by 18% to RMB25,800 per sq.m.. The changes were mainly due to a change in city sales mix.

Property sales recognised as turnover increased by 2% to RMB8,543 million, on a total GFA of 313,500 sq.m.. ASPs increased by 64% due mainly to a higher contribution of property sales from Shanghai Rui Hong Xin Cheng ("RHXC") Phase 5. Gross profit margin of the recognised property sales as turnover was 29% in 2014 compared to 27% in 2013.

*En-bloc* sales of 2 Corporate Avenue in Chongqing Tiandi for a total GFA of 119,500 sq.m. amounting to RMB2,412 million was recognised as disposal of investment properties.

*En-bloc* sales of Langham Xintiandi Hotel in Shanghai Taipingqiao for a total GFA of 34,200 sq.m. was recognised as disposal of equity in subsidiary holding commercial properties.

Recognised property sales for Dalian Tiandi stood at RMB857 million, and its related profit or loss was recorded in the share of results of associates.

The table below summarises by project the recognised sales (stated after the deduction of business tax of 5% and other surcharges/taxes) for 2014 and 2013:

| Project | 2014 Sales revenue | 2014 GFA sold | 2014 ASP | 2013 Sales revenue | 2013 GFA sold | 2013 ASP | ASP Growth rate |
|---|---|---|---|---|---|---|---|
| | RMB' million | sq.m. | RMB per sq.m. | RMB' million | sq.m. | RMB per sq.m. | % |
| **Shanghai Taipingqiao** | | | | | | | |
| Grade A Office | – | – | – | 4,057 | 79,000 | 54,400 | – |
| Langham Xintiandi Hotel | 1,641 | 34,200 | 50,800 | – | – | – | – |
| **Shanghai RHXC** | 5,260 | 115,800 | 48,100 | – | – | – | – |
| **Shanghai Knowledge and Innovation Community ("KIC")** | | | | | | | |
| Office | 173 | 6,300 | 29,000 | 100 | 4,200 | 25,200 | 15% |
| Grade A Office | – | – | – | 160 | 4,600 | 36,900 | – |
| Residential | 47 | 1,400 | 35,600 | 1,864 | 51,800 | 38,100 | (7%) |
| **Wuhan Tiandi** | | | | | | | |
| Site B Residential | 1,263 | 56,400 | 23,700 | 1,426 | 66,700 | 22,700 | 4% |
| Site B Retail | – | – | – | 68 | 1,500 | 48,000 | – |
| **Chongqing Tiandi** | | | | | | | |
| Residential[1] | 1,016 | 110,100 | 11,900 | 1,154 | 117,800 | 12,700 | (6%) |
| Offices & Retail | 2,297 | 122,600 | 19,800 | 2,997 | 238,700 | 13,300 | 49% |
| **Foshan Lingnan Tiandi** | | | | | | | |
| Apartments & Retail | 335 | 21,400 | 16,600 | 475 | 26,300 | 19,200 | (14%) |
| Townhouses & Retail | 173 | 4,100 | 44,800 | 111 | 2,400 | 49,100 | (9%) |
| Subtotal | 12,205 | 472,300 | 27,400 | 12,412 | 593,000 | 22,200 | 23% |
| **Carparks and others** | 405 | – | – | 378 | – | – | |
| **Dalian Tiandi[2]** | | | | | | | |
| Mid-/high-rises | 799 | 76,200 | 11,100 | 409 | 44,200 | 9,800 | 13% |
| Villas | 58 | 3,900 | 15,800 | 68 | 3,800 | 19,000 | (17%) |
| **Total** | **13,467** | **552,400** | **25,800** | **13,267** | **641,000** | **21,900** | **18%** |
| **Recognised as:** | | | | | | | |
| – property sales in turnover of the Group[3] | 8,543 | 313,500 | 28,900 | 8,361 | 502,100 | 17,600 | 64% |
| – disposal of investment properties[3] | 2,426 | 124,600 | 20,600 | 372 | 11,900 | 33,100 | (38%) |
| – disposal of equity in subsidiary holding commercial properties | 1,641 | 34,200 | 50,800 | 4,057 | 79,000 | 54,400 | (7%) |
| – turnover of associates | 857 | 80,100 | 11,300 | 477 | 48,000 | 10,500 | 8% |
| **Total** | **13,467** | **552,400** | **25,800** | **13,267** | **641,000** | **21,900** | **18%** |

1 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.

2 Dalian Tiandi is a project developed by associates of the Group.

3 Sales of commercial properties are recognised as "turnover" if the properties concerned are designated for sale prior to the commencement of development. Sales of commercial properties previously designated as held for capital appreciation or rental income are recognised as "disposal of investment properties".

University Avenue at KIC creates a LOHAS lifestyle

Chongqing Tiandi is becoming more mature

# BUSINESS REVIEW

## Contracted Property Sales

In 2014, contracted property sales from general property sales and carparks (including those from Dalian associates) was RMB6,107 million, a decrease of 38% over RMB9,901 million in 2013. The decrease was mainly due to a decrease in contributions from Shanghai projects to RMB1,786 million in 2014 compared to RMB4,853 million in 2013. This is mainly due to an absence of saleable resources in Shanghai after The View, Residential Phase 5 (Lot 6) of RHXC and KIC Jiangwan Regency were sold out during the reporting year. With the completion of the relocation of RHXC Lots 2 and 9 as well as Taipingqiao Lot 116 in 2014, the Group's saleable resources to be contributed from Shanghai is expected to be substantially increased from the second half of 2015 ("2H 2015").

The ASPs of Shanghai RHXC, Shanghai KIC office, Shanghai KIC residential, Wuhan Tiandi Site B residential increased by 16%, 20%, 17% and 17%, respectively. On the other hand, the ASP of Foshan Lingnan Tiandi low-/mid-/high-rises decreased by 30%, as the newly launched bare-shell high-rise units are located at a further distance from the core retail area of the project.

In 2014, three *en-bloc* commercial property sales, for a total consideration of RMB3,643 million, were completed. The properties were earmarked for hotel and office use, comprising a total GFA of 123,000 sq.m., namely the Langham Xintiandi Hotel located at Shanghai Taipingqiao, THE HUB Hotel located at THE HUB and Corporate Centre 2 located at Lot A2 in Wuhan Tiandi.

Beyond the contracted property sales outlined above, as of 31 December 2014, a total GFA of 49,100 sq.m., accounted for a total value of RMB1,065 million, was subscribed and subject to formal sale and purchase agreements. The Group also achieved RMB531 million of contracted sales in the first two months of 2015.

The table below provides an analysis by project of contracted sales (stated before the deduction of business tax of 5% and other surcharges/taxes) for 2014 and 2013:

| | 2014 | | | 2013 | | | |
|---|---|---|---|---|---|---|---|
| Project | Contracted Amount | GFA sold | ASP | Contracted Amount | GFA sold | ASP | ASP Growth rate |
| | RMB' million | sq.m. | RMB per sq.m. | RMB' million | sq.m. | RMB per sq.m. | % |
| **General property sales:** | | | | | | | |
| **Shanghai RHXC** | 1,421 | 26,300 | 54,000 | 4,284 | 92,000 | 46,600 | 16% |
| **Shanghai KIC** | | | | | | | |
| Office | 186 | 6,200 | 30,000 | 92 | 3,700 | 24,900 | 20% |
| Residential | 9 | 200 | 45,000 | 452 | 11,700 | 38,600 | 17% |
| **Wuhan Tiandi** | | | | | | | |
| Site B Residential | 1,489 | 55,100 | 27,000 | 1,823 | 78,900 | 23,100 | 17% |
| Site B Retail | – | – | – | 72 | 1,600 | 45,000 | – |
| **Chongqing Tiandi** | | | | | | | |
| Residential[1] | 1,179 | 121,200 | 11,900 | 1,349 | 133,900 | 12,300 | (3%) |
| Retail | 300 | 11,700 | 25,600 | 153 | 3,800 | 40,300 | (36%) |
| **Foshan Lingnan Tiandi** | | | | | | | |
| Low-/mid-/high-rises | 538 | 45,300 | 11,900 | 434 | 25,400 | 17,100 | (30%) |
| Townhouses | 99 | 4,200 | 23,600 | 127 | 3,300 | 38,500 | (39%) |
| Retail | 77 | 1,100 | 70,000 | 154 | 2,400 | 64,200 | 9% |
| **Subtotal** | 5,298 | 271,300 | 19,500 | 8,940 | 356,700 | 25,100 | (22%) |
| **Dalian Tiandi[2]** | | | | | | | |
| Mid-/high-rises | 440 | 43,000 | 10,200 | 685 | 62,300 | 11,000 | (7%) |
| Villas | 51 | 3,700 | 13,800 | 76 | 4,000 | 19,000 | (27%) |
| **Carparks and others** | 318 | – | – | 200 | – | – | |
| **Subtotal for general property sales** | 6,107 | 318,000 | 19,200 | 9,901 | 423,000 | 23,400 | (18%) |
| ***En-bloc* commercial property sales:** | | | | | | | |
| **Shanghai Taipingqiao** | | | | | | | |
| Langham Xintiandi Hotel | 1,739 | 34,200[3] | 50,800 | – | – | – | – |
| 5 Corporate Avenue (Offices & Retail) | – | – | – | 4,300 | 79,000 | 54,400 | – |
| **THE HUB** | | | | | | | |
| THE HUB Hotel | 965 | 45,000[3] | 21,400 | – | – | – | – |
| **Wuhan Tiandi** | | | | | | | |
| Corporate Centre 2 (Offices) | 939 | 43,800[4] | 21,400 | – | – | – | – |
| **Chongqing Tiandi** | | | | | | | |
| 2 Corporate Avenue (Offices) | – | – | – | 2,412 | 119,500 | 20,200 | – |
| **Subtotal for *en-bloc* commercial property sales** | 3,643 | 123,000 | 29,600 | 6,712 | 198,500 | 33,800 | (12%) |
| **Grand total** | 9,750 | 441,000 | 22,100 | 16,613 | 621,500 | 26,700 | (17%) |

1 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.

2 Dalian Tiandi is a project developed by associates of the Group.

3 Representing the leasable and saleable GFA.

4 Change of saleable GFA due to revised floor area measured.

### Residential GFA Available for Sale and Pre-sale in 2015

The Group has approximately 680,900 sq.m. of residential GFA spanning six projects, available for sale and pre-sale during 2015, as summarised below:

| Project | | Available for sale and pre-sale in 2015 |
|---|---|---|
| | | GFA in sq.m. |
| Shanghai Taipingqiao | Lakevilleluxe (Lot 116) | 45,000 |
| Shanghai RHXC | The View (High-rises) | 300 |
| | Residential Phase 6 (High-rises) | 86,000 |
| Wuhan Tiandi | Wuhan Tiandi B14 (Low-/mid-/high-rises) | 68,200 |
| Chongqing Tiandi | The Riviera II – VI (Low-/mid-/high-rises) | 207,100 |
| Foshan Lingnan Tiandi | The Regency Phase 2, Lingnan Tiandi • Park Royale and Lingnan Tiandi • The Imperial (Low-/mid-/high-rises) | 41,800 |
| | The Legendary Phases 1 – 2 (Townhouses) | 5,700 |
| | Lingnan Tiandi • The Metropolis (High-rises) | 68,100 |
| Dalian Tiandi | Huangnichuan (Mid-/high-rises) | 91,000 |
| | Huangnichuan (Villas) | 13,200 |
| | Hekou Bay (Mid-/high-rises) | 54,500 |
| **Total** | | **680,900** |

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

## Property Development Progress

### Property Completed in 2014 and Development Plans for 2015 and 2016

The table below summarises the projects with construction completed in 2014 and construction work that is planned for completion in 2015 and 2016:

| Project | Residential | Office | Retail | Hotel/ serviced apartments | Subtotal | Clubhouse, carpark and other facilities | Total |
|---|---|---|---|---|---|---|---|
| | sq.m. | sq.m. | sq.m. | sq.m. | sq.m. | sq.m. | sq.m. |
| **Actual delivery in 2014** | | | | | | | |
| Shanghai RHXC | 118,000 | – | 19,000 | – | **137,000** | 49,000 | **186,000** |
| Shanghai KIC | – | 86,000 | 10,000 | – | **96,000** | 44,000 | **140,000** |
| THE HUB | – | 33,000 | 124,000 | – | **157,000** | 115,000 | **272,000** |
| Wuhan Tiandi | 56,000 | – | – | – | **56,000** | 22,000 | **78,000** |
| Chongqing Tiandi | 168,000 | – | 2,000 | – | **170,000** | 39,000 | **209,000** |
| Foshan Lingnan Tiandi | 55,000 | – | 7,000 | – | **62,000** | 39,000 | **101,000** |
| Dalian Tiandi[1] | 91,000 | – | – | – | **91,000** | 45,000 | **136,000** |
| **Total** | **488,000** | **119,000** | **162,000** | **–** | **769,000** | **353,000** | **1,122,000** |
| **Planned for delivery in 2015** | | | | | | | |
| Shanghai Taipingqiao | – | 56,000 | 38,000 | – | **94,000** | 32,000 | **126,000** |
| Shanghai KIC | – | 5,000 | – | – | **5,000** | 2,000 | **7,000** |
| THE HUB | – | 11,000 | 3,000 | 45,000 | **59,000** | 3,000 | **62,000** |
| Wuhan Tiandi | – | 101,000 | 111,000 | – | **212,000** | 123,000 | **335,000** |
| Chongqing Tiandi | 70,000 | – | 7,000 | – | **77,000** | 21,000 | **98,000** |
| Foshan Lingnan Tiandi | 98,000 | 15,000 | 98,000 | – | **211,000** | 76,000 | **287,000** |
| Dalian Tiandi[1] | 19,000 | – | – | – | **19,000** | – | **19,000** |
| **Total** | **187,000** | **188,000** | **257,000** | **45,000** | **677,000** | **257,000** | **934,000** |
| **Planned for delivery in 2016** | | | | | | | |
| Shanghai RHXC | 193,000 | – | 65,000 | 16,000 | **274,000** | 101,000 | **375,000** |
| Shanghai KIC | – | – | – | 23,000 | **23,000** | – | **23,000** |
| Wuhan Tiandi | 88,000 | – | – | – | **88,000** | 25,000 | **113,000** |
| Chongqing Tiandi | 159,000 | – | 5,000 | – | **164,000** | 59,000 | **223,000** |
| Foshan Lingnan Tiandi | 46,000 | – | – | – | **46,000** | 2,000 | **48,000** |
| Dalian Tiandi[1] | 87,000 | – | 14,000 | – | **101,000** | 31,000 | **132,000** |
| **Total** | **573,000** | **–** | **84,000** | **39,000** | **696,000** | **218,000** | **914,000** |

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

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

# BUSINESS REVIEW

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

## Shanghai Taipingqiao

Comprising a total GFA of 87,000 sq.m., 3 Corporate Avenue accommodates a Grade A office building with a GFA of 56,000 sq.m. and a 31,000 sq.m. high-end shopping mall, which will be completed in the first half of 2015 ("1H 2015")`.

Construction work on Lakevilleluxe (Lot 116) with a total GFA of 87,000 sq.m. commenced in the second half of 2014 ("2H 2014"). The development is scheduled to be launched for pre-sales in late 2015 and completed progressively from the first half of 2017.

## Shanghai RHXC

The View, the residential Phase 5 (Lot 6) of RHXC, was completed and a total GFA of 116,000 sq.m. had been delivered to the buyers in 2014.

Relocation of Lots 2 and 9, with a total GFA of 196,000 sq.m. was completed in 2014 and construction work commenced immediately afterwards. Lots 2 and 9 are planned to be developed into high-end residential apartments with ancillary retail space. Lot 9 is scheduled to be launched for pre-sale starting from the second half of 2015 ("2H 2015") and is scheduled for completion progressively from 2016. Lot 2 is scheduled to be launched for pre-sales starting from the first half of 2016 and completion is planned from late 2016.

Retail space in Lot 6 with a total GFA of 19,000 sq.m. was completed in late 2014 and is to be held as investment properties. It is scheduled to be opened for operation in 1H 2015.

Rui Hong Tiandi Lot 3 with a total GFA of 78,000 sq.m. is currently under construction and is planned to be completed in 2016. It is planned to be opened for operation in 2016.

## Shanghai KIC

At Lot 311, 1-7 KIC Corporate Avenue with GFA of 86,000 sq.m. for office use and 10,000 sq.m. for retail use were completed in 2014. A hotel with a total GFA of 23,000 sq.m. is scheduled for completion in 2016.

## THE HUB

A total GFA of 157,000 sq.m. was completed during 2014, comprising 33,000 sq.m. of office space, 2,000 sq.m. of entertainment and restaurant facilities, 87,000 sq.m. of a shopping mall, 5,000 sq.m. of Xintiandi and 30,000 sq.m. of underground retail area. A 5-Star hotel of 45,000 sq.m. and a performance and exhibition centre of 14,000 sq.m. are under construction and completion is scheduled in 2015. The hotel was sold for a consideration of RMB965 million in 2014 and the transaction is expected to be completed in 2015.

## Wuhan Tiandi

The residential development at Wuhan Tiandi B13, which has a total GFA of 56,000 sq.m., was completed and delivered to the buyers in 2014.

Construction work for the residential development at Wuhan Tiandi B14 (Lot B14), which has a total GFA of 88,000 sq.m., commenced in the first half of 2014 ("1H 2014"). It was launched for sale from 2H 2014 and is planned for completion in 2016.

Construction of HORIZON, the shopping mall at Lots A1/A2/A3 is in progress, and is projected to yield 111,000 sq.m. of shopping space. Completion is expected to be in 2H 2015. Corporate Centre 2, comprising a total GFA of 44,000 sq.m. located at Lot A2, is currently under construction. The building was sold for a total consideration of RMB939 million in December 2014. It is scheduled to be delivered to the buyer in 2015. Corporate Centre 3 in Lot A3, with a total GFA of 57,000 sq.m. for office use, is under construction and is scheduled for completion in 2015.

In 2014, Wuhan Tiandi increased the plot ratio of Lot B with a total GFA of 187,000 sq.m. for commercial use and 2,000 sq.m. for residential use. An initial payment of RMB700 million was paid in 2014.

## Chongqing Tiandi

The Riviera V, Stage 2, with a total GFA of 170,000 sq.m., was completed in 2014. Amongst which, GFA of 168,000 sq.m. are for residential use and are now in the delivery progress to the buyers. The remaining GFA of 2,000 sq.m. are retail space to be sold.

The Riviera VI and VII, with an aggregated GFA of 241,000 sq.m., are currently under construction and are scheduled for completion from 2015 to 2016.

## Foshan Lingnan Tiandi

Lingnan Tiandi • Park Royal (Lot 6) and Lingnan Tiandi • The Imperial (Lot 16) with a total GFA of 60,000 sq.m., together with a retail space of GFA 2,000 sq.m. at Lot 3 Phase 1, were completed in 2014.

Development work for a total GFA of 211,000 sq.m. at Lingnan Tiandi • The Metropolis (Lot 18) which is slated for residential use, and Lots E and Lot 1 Phase 3 for office and retail use, is in progress. The developments are scheduled for completion in 2015.

## Dalian Tiandi

A total GFA of 91,000 sq.m. of residential development in the Hekou Bay area (Site A of Dalian Tiandi) was completed in 2014 and has been progressively handed over to the buyers.

At Huangnichuan (Site C of Dalian Tiandi), a total GFA of 69,000 sq.m. for commercial use and a total GFA of 156,000 sq.m. for residential properties, are under construction. They are scheduled for completion from 2015.

At Hekou Bay (Site A of Dalian Tiandi), GFA of 45,000 sq.m. for residential use, 29,000 sq.m. for office space, 15,000 sq.m. for retail space and 13,000 sq.m. for service apartments are under construction. They are planned for completion progressively from 2016 to 2017.

## Investment Property

Rental and related income from investment properties increased by 10% to RMB1,578 million in 2014. The sum of RMB1,278 million was generated by rental and related income from the investment properties, representing an annual growth rate of 11%. The increase was mainly due to additional income contributed by the Showroom Office Towers 2 and 3 at THE HUB in Shanghai Hongqiao Transportation Hub which were completed in 2013, and rental growth from the existing completed investment property portfolio. The remaining sum of RMB300 million was generated from hotel operations.

A total GFA of 176,000 sq.m. of investment properties from the following two projects was newly completed in 2014:

1) THE HUB: The basement area, Showroom Office Tower 1 and Xintiandi in D17; and the basement area, Showroom Office Tower 5 and the shopping mall in D19, contributing a total GFA of 33,000 sq.m. of Grade A office space and a total GFA of 124,000 sq.m. of retail space.

2) Shanghai RHXC: A total GFA of 19,000 sq.m. of retail space at Rui Hong Tiandi Lot 6.

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

The table below provides an analysis of the rental and related income from investment properties for 2014, 2013 and 2012 and the percentage of leases in GFA by property that are scheduled to expire from 2015 to 2017:

| Project | Product | Leasable GFA | Rental & related income RMB'million | | | Year on year change | | Leases expire in % of GFA | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | sq.m. | 2014 | 2013 | 2012 | 2014 | 2013 | 2015 | 2016 | 2017 |
| **China Xintiandi Initial Portfolio in co-operation with Brookfield** | | | | | | | | | | |
| **Shanghai Taipingqiao** | | | | | | | | | | |
| Shanghai Xintiandi | Offices/Retail | 47,000 | **297** | 295 | 282 | **1%** | 5% | **31%** | **30%** | **17%** |
| Xintiandi Style | Retail | 26,000 | **69** | 58 | 66 | **19%** | (12%) | **23%** | **26%** | **29%** |
| 1&2 Corporate Avenue | Offices/Retail | 83,000 | **253** | 245 | 240 | **3%** | 2% | **40%** | **26%** | **27%** |
| Shui On Plaza[1] | Offices/Retail | 50,000 | **126** | 124 | 101 | **2%** | 23% | **19%** | **7%** | **68%** |
| **THE HUB** | | | | | | | | | | |
| D17 Showroom Office Towers 2 & 3 | Offices/Retail | 58,000 | **39** | – | – | **–** | – | **0%** | **2%** | **80%** |
| **Subtotal** | | **264,000** | **784** | **722** | **689** | **9%** | **5%** | **26%** | **19%** | **42%** |
| **Shui On Land Portfolio** | | | | | | | | | | |
| **Shanghai Taipingqiao** | | | | | | | | | | |
| Langham Xintiandi Hotel Retail Portion[2] | Retail | 1,000 | **14** | 15 | 13 | **(7%)** | 15% | **–** | **–** | **–** |
| **Shanghai RHXC** | Retail | 47,000 | **65** | 58 | 54 | **12%** | 7% | **15%** | **10%** | **20%** |
| **Shanghai KIC**[1] | Offices/Retail | 154,000 | **219** | 190 | 155 | **15%** | 23% | **35%** | **26%** | **20%** |
| **Hangzhou Xihu Tiandi**[3] | Retail | – | **8** | 17 | 18 | **(53%)** | (6%) | **–** | **–** | **–** |
| **Wuhan Tiandi** | Retail | 46,000 | **74** | 60 | 58 | **23%** | 3% | **29%** | **18%** | **15%** |
| **Chongqing Tiandi** | Retail | 58,000 | **33** | 21 | 16 | **57%** | 31% | **19%** | **11%** | **6%** |
| **Foshan Lingnan Tiandi** | Retail | 63,000 | **81** | 68 | 53 | **19%** | 28% | **5%** | **13%** | **14%** |
| **Subtotal** | | **369,000** | **494** | **429** | **367** | **15%** | **17%** | **26%** | **19%** | **17%** |
| **Total** | | **633,000[4]** | **1,278** | **1,151** | **1,056** | **11%** | **9%** | **26%** | **19%** | **28%** |

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

2 The Langham Xintiandi Hotel Retail Portion with a total GFA of 1,000 sq.m. was sold in 2014.

3 Hangzhou Xihu Tiandi has a leasable GFA of 6,000 sq.m. and featured restaurants, cafes and other entertainment properties. The Group had the right to use the properties for a term of 20 years expiring in 2023 pursuant to the joint venture contracted establishment of Hangzhou Xihu Tiandi Management Co. Ltd. It was disposed of on 30 May 2014 and therefore only 5 months' rental and related income were reflected.

4 A total GFA of 255,000 sq.m. of investment properties was under pre-leasing. It is not included in this table for comparison because there was no contribution to rental and related income in 2014.

# BUSINESS REVIEW

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

| Project | Leasable GFA (sq.m.) Office | Retail | Total | Occupancy rate 31 December 2014 | 31 December 2013 | 31 December 2012 | Group's interest |
|---|---|---|---|---|---|---|---|
| **Completed before 2014** | | | | | | | |
| **Shanghai Taipingqiao** | | | | | | | |
| Shanghai Xintiandi | 4,000 | 43,000 | 47,000 | 98% | 97% | 100% | 100.0% |
| Shanghai Xintiandi Style | – | 26,000 | 26,000 | 96% | 88% | 100% | 99.0% |
| Shanghai 1&2 Corporate Avenue | 76,000 | 7,000 | 83,000 | 98% | 94% | 100% | 100.0% |
| Shanghai Shui On Plaza | 30,000 | 28,000 | 58,000 | 100% | 98% | 100% | 80.0% |
| **Shanghai RHXC** | | | | | | | |
| The Palette 1, 2, 3 and 5 | – | 47,000 | 47,000 | 100% | 95% | 94% | 99.0%[1] |
| **Shanghai KIC** | | | | | | | |
| 1, 2, 3 and 10 KIC Plaza (Phase 1) | 29,000 | 21,000 | 50,000 | 98% | 77% | 84% | 86.8% |
| 5 – 9 KIC Plaza (Phase 2) | 39,000 | 10,000 | 49,000 | 100% | 96% | 77% | 86.8% |
| KIC Village (R1 and R2) | 12,000 | 11,000 | 23,000 | 98% | 91% | 84% | 86.8% |
| 11 – 12 KIC Plaza (C2) | 27,000 | 11,000 | 38,000 | 81% | 78% | 54% | 86.8% |
| **THE HUB** | | | | | | | |
| D17 Showroom Offices (Towers 2 & 3) | 57,000 | 1,000 | 58,000 | 53% | N/A | N/A | 100.0% |
| **Wuhan Tiandi** | | | | | | | |
| Wuhan Tiandi (Lot A4-1) | – | 16,000 | 16,000 | 91% | 89% | 91% | 100.0% |
| Wuhan Tiandi (Lots A4-2 and A4– 3) | – | 30,000 | 30,000 | 97% | 92% | 84% | 100.0% |
| **Chongqing Tiandi** | | | | | | | |
| The Riviera I & II | – | 5,000 | 5,000 | 94% | 85% | 81% | 99.0% |
| The Riviera III | – | 4,000 | 4,000 | 47% | 0% | N/A | 99.0% |
| Chongqing Tiandi (Lot B3/01) | – | 49,000 | 49,000 | 67% | 62% | 78% | 99.0% |
| 2 Corporate Avenue (Lot B11-1/02) | – | 11,000 | 11,000 | 100% | N/A | N/A | 99.0% |
| 6, 7, and 8 Corporate Avenue Retail (Lots B12-3 & B12-4) | – | 68,000 | 68,000 | 53% | N/A | N/A | 99.0% |
| **Foshan Lingnan Tiandi** | | | | | | | |
| Lingnan Tiandi Phase 1 (Lot 1 Phase 1) | – | 15,000 | 15,000 | 94% | 87% | 87% | 100.0% |
| Lingnan Tiandi Phase 2 (Lot 1 Phase 2) | – | 34,000 | 34,000 | 50% | N/A | N/A | 100.0% |
| Shui On New Plaza (Lot D retail podium) | | 14,000 | 14,000 | 2% | 2% | N/A | 100.0% |
| **Dalian Tiandi** | | | | | | | |
| Software office buildings (D22) | 42,000 | – | 42,000 | 80% | 78% | 76% | 48.0% |
| Software office buildings (D14 – SO2/SO4) | 52,000 | – | 52,000 | 77% | 73% | N/A | 48.0% |
| Ambow training school | 113,000 | – | 113,000 | 100% | 100% | 100% | 48.0% |
| ITTD (D10 Retail) | – | 41,000 | 41,000 | 56% | N/A | N/A | 48.0% |
| **Subtotal** | **481,000** | **492,000** | **973,000** | | | | |
| **New completions in 2014** | | | | | | | |
| **Shanghai RHXC** | | | | | | | |
| Rui Hong Tiandi Lot 6 | - | 19,000 | 19,000 | | | | 99.0% |
| **THE HUB** | | | | | | | |
| D17 Showroom Office Tower 1 | 17,000 | 1,000 | 18,000 | | | | 100.0% |
| D17 Xintiandi | - | 5,000 | 5,000 | | | | 100.0% |
| D19 Shopping Mall | - | 87,000 | 87,000 | | | | 100.0% |
| D19 Showroom Office Tower 3 | 16,000 | 1,000 | 17,000 | | | | 100.0% |
| D17 Basement | - | 10,000 | 10,000 | | | | 100.0% |
| D19 Basement | - | 20,000 | 20,000 | | | | 100.0% |
| **Subtotal** | **33,000** | **143,000** | **176,000** | | | | |
| **Total leasable GFA** | **514,000** | **635,000** | **1,149,000** | | | | |
| **Investment properties held by:** | | | | | | | |
| – Subsidiaries of the Group | 307,000 | 594,000 | 901,000 | | | | |
| – Associated companies | 207,000 | 41,000 | 248,000 | | | | |
| **As of 31 December 2014** | **514,000** | **635,000** | **1,149,000** | | | | |
| **As of 31 December 2013** | **605,000** | **512,000** | **1,117,000** | | | | |

1 The Group has 99.0% interest in The Palette 2, 3 & 5 and 100.0% interest in The Palette 1.

Note: Self-use properties are classified as property, plant and equipment in the consolidated statement of financial position.

The carrying value of the completed investment properties (excluding hotels and self-use properties) with a total GFA of 887,000 sq.m., was RMB33,804 million as of 31 December 2014. Of this sum, RMB1,005 million (representing 3% of the carrying value) arose from increased fair value during 2014. Contributing factors included an increase in rental and related income generated from the existing completed investment property portfolio, and the new completion of investment properties located in THE HUB. The properties located in Shanghai, Wuhan, Chongqing and Foshan, respectively contributed 84%, 4%, 6% and 6% of the carrying value.

The carrying value of the investment properties under development at valuation for a total GFA of 761,000 sq.m. was RMB11,458 million as of 31 December 2014. Of this sum, RMB1,973 million (representing 17% of the carrying value) arose from increased fair value during 2014. The increase was mainly due to the accelerated construction work on 3 Corporate Avenue located at Shanghai Taipingqiao, the retail podium at Lots A1/A2/A3 and Lots B4, B5 in Wuhan Tiandi and Lot E in Foshan Lingnan Tiandi. Except for the super-high-rise office buildings in Chongqing Tiandi, the rest of the portfolio was planned for progressive completion from 2015 to 2017.

Except for the above mentioned investment properties at valuation, the carrying value of the remaining commercial-use landbank was stated at cost of RMB12,900 million.

The table below summarises the carrying value of the investment properties at valuation as of 31 December 2014 together with the change in fair value for 2014:

| Project | Leasable GFA | Increase/ (decrease) in fair value for 2014 | Carrying value as of 31 December 2014 | Carrying value per GFA | Valuation gain/(loss) to carrying value |
|---|---|---|---|---|---|
| | sq.m. | RMB'million | RMB'million | RMB per sq.m. | % |
| **Completed investment properties at valuation** | | | | | |
| **China Xintiandi Initial Portfolio in co-operation with Brookfield** | | | | | |
| **Shanghai Taipingqiao** | | | | | |
| Xintiandi and Xintiandi Style | 73,000 | 176 | 6,100 | 83,600 | 3% |
| 1&2 Corporate Avenue | 83,000 | 214 | 4,805 | 57,900 | 4% |
| Shui On Plaza | 50,000 | 118 | 2,949 | 59,000 | 4% |
| **THE HUB** | 215,000 | 87 | 8,011 | 37,300 | 1% |
| **Subtotal** | **421,000** | **595** | **21,865** | **51,900** | **3%** |
| **Shui On Land Portfolio** | | | | | |
| **Shanghai Taipingqiao** | | | | | |
| Langham Xintiandi Hotel Retail Portion | – | 3 | – | – | – |
| **Shanghai RHXC** | 66,000 | 202 | 1,724 | 26,100 | 12% |
| **Shanghai KIC** | 154,000 | 135 | 4,746 | 30,800 | 3% |
| **Wuhan Tiandi** | 46,000 | 209 | 1,505 | 32,700 | 14% |
| **Chongqing Tiandi** | 137,000 | (175) | 1,947 | 14,200 | (9%) |
| **Foshan Lingnan Tiandi** | 63,000 | 36 | 2,017 | 32,000 | 2% |
| **Subtotal** | **466,000** | **410** | **11,939** | **25,600** | **3%** |
| **Total** | **887,000** | **1,005** | **33,804** | **38,100** | **3%** |
| **Investment properties under development at valuation** | | | | | |
| **China Xintiandi Initial Portfolio in co-operation with Brookfield** | | | | | |
| **Shanghai Taipingqiao** | 94,000 | 458 | 5,029 | 53,500 | 9% |
| **THE HUB** | 14,000 | 247 | 404 | 28,900 | 61% |
| **Subtotal** | **108,000** | **705** | **5,433** | **50,300** | **13%** |
| **Shui On Land Portfolio** | | | | | |
| **Shanghai KIC** | 5,000 | 25 | 71 | 14,200 | 35% |
| **Wuhan Tiandi** | 185,000 | 492 | 2,676 | 14,500 | 18% |
| **Chongqing Tiandi** | 388,000 | (30) | 1,751 | 4,500 | (2%) |
| **Foshan Lingnan Tiandi** | 75,000 | 781 | 1,527 | 20,400 | 51% |
| **Subtotal** | **653,000** | **1,268** | **6,025** | **9,200** | **21%** |
| **Total** | **761,000** | **1,973** | **11,458** | **15,100** | **17%** |
| **Total of investment property portfolio at valuation** | **1,648,000** | **2,978** | **45,262** | **27,500** | **7%** |

Note: Hotels and self-use properties are classified as property, plant and equipment in the consolidated statement of financial position.

# BUSINESS REVIEW

Shanghai Taipingqiao Lake and its surroundings

Corporate Avenue at Shanghai Taipingqiao provides a comfortable working environment

## Business Updates of China Xintiandi Holding Limited ("CXTD Holding")

With the successful completion of the Initial Investment of Brookfield Property L.P. and BSREP CXTD Holdings L.P. ("Brookfield") into CXTD Holding in February 2014, two senior managing directors of Brookfield were appointed as board of directors of CXTD Holding. The integrated asset management platform was established with 459 employees as of 31 December 2014.

During the reporting period, CXTD Holding made solid progress in pursuing the proposed IPO in the following aspects: (1) achieving construction milestones of the Initial Portfolio in co-operation with Brookfield ("Initial Portfolio"); (2) monetisation of mature and stabilised or non-core assets; (3) completion of the identified asset enhancement initiatives at the completed properties; (4) leasing and pre-leasing of the office properties of Shanghai Taipingqiao and THE HUB; (5) leasing and pre-leasing of the retail properties of Shanghai Taipingqiao and THE HUB; (6) providing asset management services for Shui On Land and third party owned commercial property portfolio; and (7) implementation of the Business Intelligence ("BI") solution.

Management believes that the completion of these initiatives should lay a solid foundation for a successful IPO of CXTD Holding which could take place as early as at some point during the next 18 months. However, there is no assurance that the proposed China Xintiandi IPO will occur at all or, if it does occur, when it may occur.

### Achieving Construction Milestones of the Initial Portfolio

The Initial Portfolio comprises Shanghai Xintiandi, Xintiandi Style, 1&2 Corporate Avenue, 3 Corporate Avenue, Shui On Plaza and The House (formerly the 88 Xintiandi Hotel) in Shanghai Taipingqiao and THE HUB. The Initial Portfolio has a total leasable GFA of 582,000 sq.m., of which a total leasable GFA of 272,000 sq.m. was completed before 2014.

In 2014, a total leasable GFA of 157,000 sq.m. at THE HUB, namely, Showroom Office Tower 1, Xintiandi, and the underground area located at D17; Showroom Office Tower 5, the shopping mall, and the underground area located at D19, was newly completed, increasing the total completed area to a total leasable GFA of 429,000 sq.m..

The remaining properties under development of the Initial Portfolio, comprising 3 Corporate Avenue and The House (formerly the 88 Xintiandi Hotel) at Shanghai Taipingqiao, the hotel at D17 and the performance and exhibition centre located at D19 at THE HUB, are scheduled to be completed in 2015 with a total leasable GFA of 153,000 sq.m.. The hotel at D17 at THE HUB was sold in 2014.

### Monetisation of Mature and Stabilised or Non-core Assets

CXTD Holding is refining its business strategy for the proposed IPO plan. In 2014, CXTD Holding disposed the hotel at THE HUB for a total consideration of RMB965 million. CXTD Holding will continue to seize opportunity to unlock the value of the mature and stabilised or non-core assets in order to provide financial resources for future growth.

### Asset Enhancement Initiatives

CXTD Holding constantly reviews the properties under management to identify and pursue opportunities to add value to the portfolio through asset enhancement initiatives ("AEI") ranging from minor to complete renovations. In 2014, the AEI projects at Shanghai Taipingqiao had made satisfactory progress.

# BUSINESS REVIEW

The AEI work on shop fronts located in Xintiandi Style along Madang Road was successfully completed in May 2014. With the introduction of 29 new tenant brands, the mall is now established with a more diversified tenant mix and offers abundant food and beverage ("F&B") choices to shoppers. Following the completion of the AEI work, the shopper traffic at Xintiandi Style recorded a 41% year-on-year growth, and a 34% year-on-year growth in tenant sales in 2H 2014 compared to the corresponding period in 2013. During the reporting year, a rental reversion of 23% was recorded for the new tenancy agreements signed for a total leasable GFA of 8,000 sq.m..

The AEI for converting 88 Xintiandi Hotel in Shanghai Xintiandi into a new concept of retail space commenced in July 2014 and is scheduled for completion by the end of 2015. Upon completion, the new space named "The House" will have a total leasable GFA of approximately 7,000 sq.m. for retail use, and will introduce the concept of "Created in China" which provides a creative platform for innovative F&B, fashion, lifestyle and entertainment operators. Pre-leasing activities have started and are seeing good market response.

## Office Leasing

### Shanghai Taipingqiao

The Shanghai Taipingqiao office portfolio comprised a total leasable GFA of 166,000 sq.m., of which a total leasable GFA of 110,000 sq.m. of Shui On Plaza, Shanghai Xintiandi, and 1&2 Corporate Avenue was completed, and a total leasable GFA of 56,000 sq.m. of 3 Corporate Avenue remains under construction.

As of 31 December 2014, Shui On Plaza was fully occupied while occupancy rates of Shanghai Xintiandi and 1&2 Corporate Avenue remained high at 98%. A total leasable GFA of 36,000 sq.m. was newly leased in 2014 with the rental reversion of the area recorded 11% of growth with an introduction of 14 new tenants.

Despite an increasingly competitive market environment due to large amounts of pipeline supply launching in the city, pre-leasing of 3 Corporate Avenue achieved outstanding performance with quality tenants committed for around 47% of the total leasable area at market rate. The building is planned to be completed in 1H 2015.

### THE HUB

At THE HUB, the above ground area of Showroom Office Towers 2 & 3 located at D17 with a total leasable GFA of 57,000 sq.m., was handed over to tenants in 1H 2014 and started contributing rental and related income to the Group. The remaining office area of a total leasable GFA of 33,000 sq.m., comprising Showroom Office Tower 1 located at D17 and Showroom Office Tower 5 located at D19, was completed in 2H 2014, bringing the total completed leasable area to 90,000 sq.m..

Combined occupancy rate of Showroom Office Towers 2 & 3 was 53% as of 31 December 2014, or 66% when including the contracted tenants. Active leasing and pre-leasing activities successfully brought a number of quality tenants including Fortune 500 companies and leaders in pharmaceutical, energy, manufacturing, banking and finance industries as the tenants of THE HUB. This includes, namely, the Greater China Headquarters of Roche Diagnostics and the Eastern China Headquarters of Shell. Leasing activities of the remaining space of Showroom Office Towers 2 & 3 and the newly completed Showroom Office Towers 1 & 5 are being launched.


The street view of Xintiandi Style

First batch of enterprises has entered THE HUB to start off business

Backed by its excellent location, the superior quality of the building and supported by an experienced leasing team, average rental rate commanded by THE HUB outperformed the neighbourhood area by at least 15% above the average rental rate of Shanghai Puxi decentralised Grade A.

## Retail Leasing

### Shanghai Taipingqiao

The Shanghai Taipingqiao retail portfolio comprised a total leasable GFA of 142,000 sq.m., of which a total leasable GFA of 104,000 sq.m. of Shui On Plaza, Shanghai Xintiandi, Xintiandi Style and 1&2 Corporate Avenue was completed, and a total leasable GFA of 38,000 sq.m. of Hubindao (the retail podium at 3 Corporate Avenue facing the Taipingqiao Man-made Lake) and The House (formerly the 88 Xintiandi Hotel) at Shanghai Xintiandi is under construction.

Active leasing management and the completed AEI work laid a foundation for ongoing consolidation of the leading position of the retail portfolio at Shanghai Taipingqiao. Overall occupancy rate of the completed retail portfolio remained high at 98% as of 31 December 2014. A total leasable GFA of 26,000 sq.m. has new lease agreements with rental reversion recorded at 23% growth compared to the previous tenancy. Tenant mix was successfully rejuvenated as a result of introduction of 46 new brands to the area.

# BUSINESS REVIEW

Pre-leasing of Hubindao received positive market response. The shopping mall with a total leasable GFA of 31,000 sq.m. will feature a broad spectrum of F&B, retail and services tenants. 60% of the total leasable area was with tenant commitment or under positive discussion. Hubindao is scheduled to have its opening in late 2015.

### THE HUB

The newly completed retail portfolio of THE HUB has a total leasable GFA of 124,000 sq.m.. Of the completed retail space, Xintiandi and its underground area located at D17 has a total leasable GFA of 15,000 sq.m., the shopping mall and its underground retail space located at D19 has a total leasable GFA of 107,000 sq.m., and the office retail area (the ancillary retail space and underground retail area) located at D17 and D19 has a total leasable GFA of 3,000 sq.m.

By year end of 2014, notwithstanding the various pressures imposed on retail leasing activity under the challenging market environment, pre-leasing of Xintiandi, the shopping mall, and the office retail area have respectively achieved encouraging progress, with tenants' committed and under active discussion at 82%, 55%, and 66%, respectively. These retail properties are scheduled to open in the third quarter of 2015.

## Asset Management Services

CXTD Holding provides asset management services for a portfolio of commercial properties owned by Shui On Land and third parties, which has a total leasable GFA of 995,000 sq.m..

Shui On Land's commercial property portfolio comprising office and retail properties located at Shanghai RHXC, Wuhan Tiandi, Chongqing Tiandi, and Foshan Lingnan Tiandi. Of the total leasable GFA of 638,000 sq.m. under management, 270,000 sq.m. were completed before 2014, 19,000 sq.m. were completed in 2014, and 349,000 sq.m. are under construction.

In 2014, total rental and related income generated by the completed commercial property portfolio increased by 20% to RMB266 million compared to RMB222 million in 2013. The growth was mainly attributable to the increase in occupancy at Chongqing Tiandi and Foshan Lingnan Tiandi, and strong rental reversion achieved at Wuhan Xin Tiandi.

Of the total leasable GFA of 19,000 sq.m. newly completed Rui Hong Tiandi Lot 6 at Shanghai RHXC, 67% was leased ahead of a targeted soft-opening in the first quarter of 2015. Pre-leasing of Rui Hong Tiandi Lot 3 which is scheduled to open in the third quarter of 2016 has yet to be started.

Pre-leasing of HORIZON (Lots A1/A2/A3 shopping mall) at Wuhan Tiandi, which is targeted for soft opening in the fourth quarter of 2015, achieved 37% tenancy commitment on the total leasable GFA of 111,000 sq.m.. A soft opening for Jialing Mall Phase 1 (retail space of 6, 7 and 8 Corporate Avenue) in Chongqing is scheduled in the second quarter of 2015. Pre-leasing activities have committed 79% of the total leasable GFA of 68,000 sq.m.. Pre-leasing of NOVA (Lot E shopping mall) at Foshan Lingnan Tiandi has achieved tenancy commitment of 36% of its total leasable GFA of 75,000 sq.m. ahead of a targeted opening in the first quarter of 2016.

The portfolio owned by third parties comprises various commercial properties located in Shanghai, Wuhan and Chongqing, with a total leasable GFA of 357,000 sq.m..

## Implementation of Business Intelligence Solution

CXTD Holding is committed to continuous enhancement on its asset management capability through leveraging Brookfield's experience and expertise in this field. The implementation of the Business Intelligence ("BI") solution introduced by Brookfield was initiated starting from upgrading CXTD Holding's current information technology infrastructure.

In order to generate sustainable organic growth and enhance value of its existing portfolio, CXTD Holding assesses the business by executing multiple property level sensitivity scenarios to evaluate the possible impact to the portfolio using a range of financial and non-financial measures by analysing historical as well as forecasting data. A BI solution is an integrated platform that supports collaboration across all functions along the commercial real estate asset management workflow from strategy, budget and planning to leasing, property management, and capital management to allow free movement of information.

In 2014, CXTD Holding has also successfully adopted a forecasting and valuation system, as part of the BI solution implementation. With all existing data, valuation model and leasing plans of each property in the portfolio imported, the system is ready for senior management and project executives to easily review and evaluate the commercial and operational decisions against the system on a more investment return driven basis.

The remaining work on BI solution implementation will be completed in 2015, whereupon CXTD Holding will enjoy an improved quality, ability and speed of reporting, reduce reliance on manpower to drive results, and strengthen the ability to grow the return of the portfolio while containing cost and driving consistency of management across the portfolio.

Wuhan Tiandi provides a new fashionable life concept and becomes a popular leisure location which attracts both domestic and international guests

# LANDBANK

As of 31 December 2014, the Group's landbank, including the contribution of its Dalian associates, stood at a total GFA of 12.3 million sq.m. (comprising 9.9 million sq.m. of leasable and saleable area, and 2.4 million sq.m. for clubhouses, car parking spaces and other facilities) spread across eight development projects located in the prime areas of five major PRC cities: Shanghai, Wuhan, Chongqing, Foshan and Dalian.

Of the total leasable and saleable GFA of 9.9 million sq.m., the sum of 1.5 million sq.m. was completed, and held for sale and/or investment. Approximately 3.6 million sq.m. was under development, and the remaining 4.8 million sq.m. was held for future development.

## Relocation of Shanghai Taipingqiao and RHXC

The relocation of Taipingqiao Lot 116, and RHXC Lots 2 and 9, with a total GFA of 283,000 sq.m., was completed in mid-2014. Construction work was started immediately afterwards. Both projects are scheduled to be launched for pre-sale commencing 2H 2015.

The relocation of RHXC Lots 1, 7 and 10 is in progress. 94% of residents in Lots 1 and 7 and 86% of residents in Lot 10 had signed relocation agreements as of 31 December 2014. The total relocation cost of these three sites is estimated to be RMB11,205 million. As of 31 December 2014, a total amount of RMB8,489 million had been paid. The estimated outstanding relocation cost of RMB2,716 million is scheduled to be paid progressively in 2015 and beyond. The relocation of these three sites is planned to be completed in 2015. Lots 1 and 7 will be developed into high-end residential apartments and Lot 10 will be developed into a commercial complex with two Grade-A office buildings and a shopping mall.

The relocation of Taipingqiao Lot 118 started in the fourth quarter of 2014 and 76% of residents had signed relocation agreements as of 31 December 2014. As of 31 December 2014, relocation cost of RMB1,700 million had been paid. Lot 118 is planned to be developed into a high-end residential apartments.

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

Rui Hong Xin Cheng • The View locates in premier location, with superior transportation, natural environments as well as high quality

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

| Project | Percentage of relocation as of 31 December 2014 | Leasable and saleable GFA | Relocation cost paid as of 31 December 2014 | Estimated outstanding relocation cost as of 31 December 2014 | Actual/Estimated relocation completion year |
|---|---|---|---|---|---|
| | | sq.m. | RMB'million | RMB'million | |
| **Sites cleared in 2014** | | | | | |
| Taipingqiao Lot 116 (Phase 4 Residential) | 100% | 87,000 | 3,973 | 200 | 2014 |
| RHXC Lot 9 (Phase 6 Residential) | 100% | 88,000 | 1,749 | 198 | 2014 |
| RHXC Lot 2 (Phase 7 Residential) | 100% | 108,000 | 1,731 | 128 | 2014 |
| | | 283,000 | 7,453 | 526 | |
| **Sites under relocation in 2014** | | | | | |
| RHXC Lot 10 (Offices and Retail) | 86% | 308,000 | 2,363 | 644 | 2015 |
| RHXC Lot 1 (Residential) | 94% | 110,000 | 3,063 | 1,037 | 2015 |
| RHXC Lot 7 (Residential) | 94% | 160,000 | 3,063 | 1,035 | 2015 |
| | | 578,000 | 8,489 | 2,716 | |
| **Site started relocation in 2014** | | | | | |
| Taipingqiao Lot 118 (Phase 5 Residential) | 76% | 80,000 | 1,700 | 2,500 | 2016 |
| **Total** | | **941,000** | **17,642** | **5,742** | |

Outlook of Shanghai Taipingqiao

The Group's total landbank as of 31 December 2014, including that of its associates, is summarised below:

| Project | Approximate/Estimated leasable and saleable GFA Residential | Office | Retail | Hotel/ serviced apartments | Subtotal | Clubhouse, carpark and other facilities | Total | Group's interest |
|---|---|---|---|---|---|---|---|---|
| | sq.m. | sq.m. | sq.m. | sq.m. | sq.m. | sq.m. | sq.m. | % |
| **Completed properties:** | | | | | | | | |
| Shanghai Taipingqiao | – | 110,000 | 104,000 | – | 214,000 | 76,000 | 290,000 | 99.0%[1] |
| Shanghai RHXC | 3,000 | – | 66,000 | – | 69,000 | 79,000 | 148,000 | 100.0%[2] |
| Shanghai KIC | – | 190,000 | 63,000 | – | 253,000 | 165,000 | 418,000 | 86.8%[3] |
| THE HUB | – | 90,000 | 125,000 | – | 215,000 | 117,000 | 332,000 | 100.0% |
| Wuhan Tiandi | – | – | 46,000 | – | 46,000 | 47,000 | 93,000 | 100.0% |
| Chongqing Tiandi | 98,000 | – | 142,000 | – | 240,000 | 189,000 | 429,000 | 99.0% |
| Foshan Lingnan Tiandi | 57,000 | – | 69,000 | 38,000 | 164,000 | 102,000 | 266,000 | 100.0%[4] |
| Dalian Tiandi | 75,000 | 207,000 | 41,000 | – | 323,000 | 156,000 | 479,000 | 48.0%[5] |
| **Subtotal** | **233,000** | **597,000** | **656,000** | **38,000** | **1,524,000** | **931,000** | **2,455,000** | |
| **Properties under development:** | | | | | | | | |
| Shanghai Taipingqiao | 167,000 | 56,000 | 38,000 | – | 261,000 | 78,000 | 339,000 | 99.0%[1] |
| Shanghai RHXC | 461,000 | 203,000 | 172,000 | 16,000 | 852,000 | 108,000 | 960,000 | 99.0% |
| Shanghai KIC | – | 5,000 | – | 23,000 | 28,000 | 2,000 | 30,000 | 86.8%[3] |
| THE HUB | – | 11,000 | 3,000 | 45,000 | 59,000 | 3,000 | 62,000 | 100.0% |
| Wuhan Tiandi | 130,000 | 236,000 | 185,000 | 45,000 | 596,000 | 225,000 | 821,000 | 100.0% |
| Chongqing Tiandi | 173,000 | 259,000 | 116,000 | 25,000 | 573,000 | 179,000 | 752,000 | 99.0% |
| Foshan Lingnan Tiandi | 98,000 | 15,000 | 100,000 | – | 213,000 | 76,000 | 289,000 | 100.0% |
| Dalian Tiandi | 489,000 | 206,000 | 189,000 | 143,000 | 1,027,000 | 320,000 | 1,347,000 | 48.0%[5] |
| **Subtotal** | **1,518,000** | **991,000** | **803,000** | **297,000** | **3,609,000** | **991,000** | **4,600,000** | |
| **Properties for future development:** | | | | | | | | |
| Shanghai Taipingqiao | 86,000 | 174,000 | 118,000 | 38,000 | 416,000 | 44,000 | 460,000 | 99.0% |
| Shanghai RHXC | 83,000 | 69,000 | 78,000 | – | 230,000 | 2,000 | 232,000 | 100.0% |
| Wuhan Tiandi | 243,000 | 166,000 | 91,000 | 7,000 | 507,000 | 4,000 | 511,000 | 100.0% |
| Chongqing Tiandi | 676,000 | – | 307,000 | 50,000 | 1,033,000 | 374,000 | 1,407,000 | 99.0% |
| Foshan Lingnan Tiandi | 377,000 | 450,000 | 125,000 | 80,000 | 1,032,000 | 10,000 | 1,042,000 | 100.0% |
| Dalian Tiandi[6] | 394,000 | 867,000 | 262,000 | 42,000 | 1,565,000 | – | 1,565,000 | 48.0%[5] |
| **Subtotal** | **1,859,000** | **1,726,000** | **981,000** | **217,000** | **4,783,000** | **434,000** | **5,217,000** | |
| **Total landbank GFA** | **3,610,000** | **3,314,000** | **2,440,000** | **552,000** | **9,916,000** | **2,356,000** | **12,272,000** | |

1 The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi, 1&2 Corporate Avenue, Lot 116 and Shui On Plaza, in which the Group has an effective interest of 100.0%, 100.0%, 19.3419% and 80.0% respectively. In addition, after the completion of the exercise of Sale Option and Purchase Option pursuant to the JV Agreement which is expected to occur in or before June 2015, the Group will have a 39.8624% interest in Lot 116.

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

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

4 The Group has a 100.0% interest in Foshan Lingnan Tiandi, except for Lot 6 and Lot 16 in which the Group has an effective interest of 55.9%.

5 The Group has a 48.0% effective interest in Dalian Tiandi, except for Lots C01, C03, B08, B09 and E02A in which the Group has a 33.6% effective interest.

6 Dalian Tiandi is expected to have a Landbank of 3.4 million in GFA. As of 31 December 2014, approximately 3.1 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. is expected to be acquired through public bidding in due course.

# FINANCIAL REVIEW

*Group turnover* increased slightly by 4% to RMB10,249 million in 2014 (2013: RMB9,828 million), primarily due to an increase in recognised property sales and rental and related income during the year.

For 2014, *Property sales* increased slightly by 2% to RMB8,543 million (2013: RMB8,361 million), where RMB5,568 million (2013: RMB1,890 million) of total property sales were generated from Shanghai. Shanghai RHXC enjoyed tremendous success and recorded RMB5,411 million (2013: RMB 11 million) in property sales, which was attributable to the delivery of Phase 5 (Lot 6). For 2014, property sales of Chongqing Tiandi and Shanghai KIC decreased by 75% and 92% respectively, to RMB1,061 million (2013: RMB4,297 million) and RMB152 million (2013: RMB1,867 million), respectively. Total area handed over decreased to 313,500 sq.m. (2013: 502,100 sq.m.). Details of property sales during the year ended 31 December 2014 are contained in the paragraph titled "Property Sales" in the Business Review Section.

*Income from property investment of the Group* rose by 10% to RMB1,578 million (2013: RMB1,440 million). *Rental and related income* from investment properties increased to RMB1,278 million (2013: RMB1,151 million), principally due to higher rental income from existing completed investment properties, in particular for Shanghai Taipingqiao, Shanghai KIC and Wuhan Tiandi, and also from the completion of new investment properties in Shanghai, including THE HUB. Two Showroom offices at THE HUB have started to generate rental income from the second quarter of 2014. *Income from hotel operations* also increased to RMB300 million (2013: RMB289 million) where RMB223 million are contributed by Shanghai Langham Xintiandi Hotel.

Details of the business performance of investment properties are contained in the paragraph titled "Investment Property" in the Business Review Section.

*Gross profit* for 2014 increased to RMB3,446 million (2013: RMB3,155 million). Gross profit margin rose marginally to 34% (2013: 32%). The increase in gross profit margin was due mainly to higher contributions from rental and related income from investment properties, where the gross profit margins were higher than property sales. Gross profit margin from rental and related income from investment properties and property sales remained relatively stable at 73% (2013: 77%) and 29% (2013: 27%).

For 2014, *Other income* decreased by 21% to RMB348 million (2013: RMB443 million), which comprised interest income of RMB308 million (2013: RMB229 million), grants received from local government and sundry income of RMB11 million (2013: RMB163 million).

*Selling and marketing expenses* for 2014 decreased by 23% to RMB253 million (2013: RMB328 million). This was mainly due to a decrease in contracted sales achieved by the Group (excluding sales by associates) by 39% to RMB 5,616 million (2013: RMB9,140 million).

*General and administrative expenses* for 2014 increased by 5% to RMB981 million (2013: RMB938 million). The increase was attributable to expenses incurred for the establishment of the fully integrated asset management platform of CXTD Holding, and advisory and consulting costs incurred in preparation for its spin-off.

Due to the abovementioned factors, *Operating profit* increased by 10% to RMB2,560 million for 2014 (2013: RMB2,332 million).

*Increase in fair value of investment properties* rose by 2% to RMB2,978 million for 2014 (2013: RMB2,912 million), of which RMB884 million (2013: RMB749 million) was derived from completed investment properties and RMB2,094 million (2013: RMB2,163 million) from investment properties under construction or development. The paragraph titled "Investment Property" in the Business Review Section offers a detailed description of these properties.

For 2014, *Other gains and losses* amounted to a loss of RMB26 million (2013: RMB159 million gain), of which RMB160 million of the losses (2013: nil) came from rental guarantee arrangements arising from the commercial properties in Chongqing previously sold, which was partially offset by RMB136 million gain from disposal of subsidiaries, i.e. Shanghai Taipingqiao Lot 116 (partial interest), Shanghai Langham Xintiandi Hotel, Hangzhou project (2013: RMB159 million gain from disposal of subsidiaries, i.e. Shanghai Taipingqiao Lot 126).

*Share of losses of associates* represented a net loss of RMB173 million in 2014 (2013: RMB178 million), which included an impairment loss on the investment properties and properties under development for sales (net of related taxes) amounting to RMB119 million (2013: RMB129 million) attributable to the Group.

*Finance costs, inclusive of exchange differences* for 2014 increased by 106% to RMB921 million (2013: RMB448 million). Total interest costs for 2014 increased to RMB3,474 million (2013: RMB3,103 million). Of these interest costs, 77% (2013: 81%) or RMB2,676 million (2013: RMB2,500 million) were capitalised as cost of property development, with the remaining 23% (2013: 19%) interest relating to mortgage loans on completed properties and borrowings for general working capital purposes being expensed. Exchange loss of RMB34 million was due to depreciation of the RMB against the HKD and USD in 2014, while the Group recorded an exchange gain of RMB363 million in 2013.

For 2014, *Profit before taxation* decreased by 8% to RMB4,418 million (2013: RMB4,777 million), as a result of the various factors outlined above.

*Taxation* decreased by 7% to RMB1,933 million for 2014 (2013: RMB2,072 million). The effective tax rate for the year 2014 was 32.2% (2013: 30.5%), after excluding land appreciation tax together with its corresponding enterprise income tax effect of RMB507 million (2013: RMB615 million). The increase in effective tax rate resulted from the increase in interest expenses from offshore borrowings that were not deductible in the PRC. Land appreciation tax was assessed based on the progressive tax rate of the appreciation value of the properties.

*Profit attributable to shareholders of the Company* for 2014 was RMB1,778 million, a decrease of 16% when compared to 2013 (2013: RMB2,125 million). Return on equity for 2014 was 4.9% (2013: 6.8%), which was calculated based on profit attributable to shareholders for the year, divided by shareholders' equity at the beginning of the year.

Core earnings of the Group were as follows:

| | 2014 RMB'million | 2013 RMB'million | Change % |
|---|---|---|---|
| Profit attributable to shareholders of the Company | 1,778 | 2,125 | (16%) |
| Increase in fair value of investment properties | (2,978) | (2,912) | |
| Effect of corresponding deferred tax charges | 745 | 728 | |
| Realised fair value gains of investment properties disposed | 256 | 773 | |
| Share of results of associates | | | |
| Fair value losses/gains of investment properties | 111 | (47) | |
| Effect of corresponding deferred tax charges | (28) | 12 | |
| | (1,894) | (1,446) | 31% |
| Non-controlling interests | 31 | 190 | |
| Net effect of changes in the valuation of investment properties | (1,863) | (1,256) | 48% |
| Profit attributable to shareholders of the Company before revaluation of investment properties | (85) | 869 | |
| Add: | | | |
| Profit attributable to owners of perpetual capital securities | 311 | 314 | (1%) |
| Profit attributable to owners of convertible perpetual securities | 224 | – | – |
| Core earnings of the Group | 450 | 1,183 | (62%) |

*Earnings per share* of RMB0.22 for 2014 (2013: RMB0.28) was calculated based on a weighted average of approximately 8,002 million shares (2013: 7,491 million shares) in issue during the year ended 31 December 2014.

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

- Dividends payable to the shareholders of the Company (together with any redemption, repurchase or acquisition of the Company's shares) should not exceed 20% of the Company's consolidated profit for the then most recent two semi-annual periods prior to payment of the dividend, unless certain conditions pursuant to the terms of the senior notes have been met.
- In the case where the Company opts to defer the payment of coupons to the owners of perpetual capital securities, no dividend payments should be made to the shareholders of the Company unless all coupons so deferred have been paid in full.

The Board has resolved to recommend the payment of a 2014 final dividend of HKD0.04 per share (2013: HKD0.04 per share) to the shareholders of the Company.

Together with the 2014 interim dividend of HKD0.022 per share (2013: HKD0.022 per share) paid in September 2014 amounting to RMB140 million, the total dividend for 2014 was RMB394 million (2013: RMB395 million). This represents a dividend payout ratio of 22% (2013: 19%).

## Capital Structure, Gearing Ratio and Funding

On 20 May 2013, the Company completed a rights issue by issuing 2,000,431,547 rights shares on the basis of one rights share for every three existing shares, at a subscription price of HKD1.84 per rights share. The rights issue netted proceeds of approximately RMB2,899 million. As at 31 December 2014, the Company has applied all the rights issue net proceeds (i) as to RMB257 million to finance the relocation of Shanghai Taipingqiao and Shanghai Rui Hong Xin Cheng and (ii) as to RMB2,642 million to repay indebtedness and for working capital purposes.

On 17 February 2014, the Company and CXTD Holding completed a set of agreements with Brookfield. CXTD Holding issued convertible perpetual securities in an aggregate principal amount of USD500 million to Brookfield. The Company also issued to Brookfield 415 million warrants, exercisable for 415 million Company shares at an exercise price of HKD2.85 per Company Share (subject to a cap of HKD3.62 on gain per Company share and customary anti-dilution adjustments). The net proceeds was approximately USD480 million, after deducting all related costs and expenses (including professional

# FINANCIAL REVIEW

advisors' fees and the USD5 million closing fee payable to Brookfield). As at the date of this annual report, the Company has applied the net proceeds (i) as to approximately USD120 million for repayment of indebtedness; (ii) as to approximately USD171 million to fund capital expenditures related to the Company's real estate development and (iii) as to approximately USD53 million for general working capital purposes. The remaining net proceeds will be applied in accordance with the specific use described in a circular issued by the Company dated 30 November 2013.

In February 2014, the Group entered into the China Offshore Renminbi bonds market for the first time and issued RMB2,500 million in 6.875% senior notes with a maturity of three years.

In April 2014, the Group undertook a liability management exercise by offering to exchange and/or purchase by cash the outstanding RMB3,500 million in senior notes due in 2015 and USD875 million in senior notes due in 2015. This exercise received overwhelming market response and it is the largest liability management exercise in Asia by a Chinese property developer. Following the completion, a total value of approximately USD840 million in senior notes with four-year maturity and six-year maturity senior notes were issued at 8.7% and 9.75% respectively.

In June 2014 and November 2014, the Group issued USD550 million in 9.625% senior notes with a maturity of five years and USD500 million in 8.70% senior notes with a maturity of three years respectively.

On 26 January 2015 and 16 February 2015, the Group has fully settled the outstanding senior notes issued in 2011 and 2012 amounted to approximately RMB5,275 million. After repayments of these senior notes, there are no outstanding senior notes that are due in 2015 and 2016, other than RMB419 million in convertible bonds which is due in September 2015.

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

Total cash and bank deposits amounted to RMB12,430 million as of 31 December 2014 (31 December 2013: RMB10,180 million), which included RMB3,291 million (31 December 2013: RMB3,571 million) of deposits pledged to banks and RMB2,471 million (31 December 2013: RMB1,231 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2014, the Group's net debt balance was RMB35,535 million (31 December 2013: RMB24,911 million) and its total equity was RMB44,922 million (31 December 2013: RMB42,174 million). The Group's net gearing ratio was 79% as of 31 December 2014 (31 December 2013: 59%), calculated on the basis of the excess of the sum of convertible bonds, senior notes, bank and other borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

Total undrawn banking facilities available to the Group were approximately RMB6,405 million as of 31 December 2014 (31 December 2013: RMB13,930 million).

## Pledged Assets

As of 31 December 2014, the Group had pledged certain land use rights, completed properties for investment and sale, properties under development, accounts receivable, and bank and cash balances totalling RMB56,431 million (31 December 2013: RMB60,785 million) to secure its borrowings of RMB27,070 million (31 December 2013: RMB21,857 million).

## Capital and Other Development Related Commitments

As of 31 December 2014, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB13,720 million (31 December 2013: RMB12,219 million).

## Future Plans for Material Investments

On 28 November 2014, the Group entered in a Framework agreement with Green Acres B 2014 Limited, a company ultimately wholly owned by a public institution based in the Middle

The structure of the Group's borrowings as of 31 December 2014 is summarised below:

| | Total (in RMB equivalent) RMB'million | Due within one year RMB'million | Due in more than one year but not exceeding two years RMB'million | Due in more than two years but not exceeding five years RMB'million | Due in more than five years RMB'million |
|---|---|---|---|---|---|
| Bank and other borrowings – RMB | 18,730 | 2,461 | 5,384 | 10,145 | 740 |
| Bank borrowings – HKD | 6,874 | 2,140 | 3,413 | 1,321 | – |
| Bank borrowings – USD | 2,805 | 1,178 | 1,627 | – | – |
| Convertible bonds – RMB | 419 | 419 | – | – | – |
| Senior notes – RMB | 3,748 | 1,223 | – | 2,525 | – |
| Senior notes – SGD | 1,196 | 1,196 | – | – | – |
| Senior notes – USD | 14,193 | 2,856 | – | 10,123 | 1,214 |
| **Total** | **47,965** | **11,473** | **10,424** | **24,114** | **1,954** |

East. The total fund commitment of this Framework agreement is USD600 million while the maximum commitment for the Group is USD375 million. The investment strategy will be to develop, own, and operate mid-size, mixed-use knowledge communities with residential and commercial property components in strategic locations characterized by a high concentration of universities, high-tech parks, and/or research and development parks.

On 24 December 2014, the Group announced the Exercises of Sale Option and Purchase Option (as defined in the announcement of the Company dated 24 December 2014). Immediately after the completion of the Exercises of Sale Option and Purchase Option which is expected to occur on or before 23 June 2015, the Group's ultimate shareholding in Portspin Limited, which holds Shanghai Taipingqiao 116 residential project, will be increased from the original 19.3419% to approximately 39.8624%. The consideration is USD162 million.

Save as disclosed above, the Group plans to focus on the development of the existing landbank that encompasses prime locations. As appropriate opportunities arise, the Group may evaluate participation in projects of various sizes wherein its competitive strengths provide advantages.

## Cash Flow Management and Liquidity Risk

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

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

## Exchange Rate and Interest Rate Risks

The revenue of the Group is denominated in RMB. The convertible bonds and certain senior notes issued in 2010, 2011 and 2014, were also denominated in RMB. As a result, the coupon payments and the repayment of the principal amounts of the convertible bonds and these senior notes issued in 2010, 2011 and 2014 do not expose the Group to any exchange rate risk. A portion of the revenue, however, is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes denominated in SGD and USD issued in 2012 and 2014.

As a result, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. In 2014, the PRC Central Government has relaxed the fluctuation of the RMB within a predefined range to a portfolio of various currencies. Given these circumstances, the Group has entered into various cross currency swaps of RMB against the SGD and the USD.

As at 31 December 2014, the Group held the following cross currency swaps:

a) to hedge against the variability of cash flows arising from the Group's SGD250 million senior notes due on 26 January 2015 ("2015 SGD Notes"). Under these swaps, the Group would receive interest at a fixed rate of 8% per annum and pay interest semi-annually at fixed rates ranging from 9.57% to 9.68% per annum, based on the notional amounts of RMB1,269 million in aggregate.

b) to hedge against the variability of cash flows arising from the Group's USD400 million senior notes due on 16 February 2015 ("2015 USD Notes"). Under these swaps, the Group would receive interest at a fixed rate of 9.75% per annum and pay interest semi-annually at fixed rates ranging from 9.2% to 9.78% per annum, based on the notional amounts of approximately RMB2,500 million in aggregate.

c) to hedge against the variability of cash flows arising from the Group's RMB2,500 million senior notes due on 26 February 2017 ("2017 RMB Notes"). Under these swaps, the Group would receive interest at a fixed rate of 6.875% per annum and pay interest semi-annually at fixed rates ranging from 5.840% to 5.975% per annum, based on the notional amounts of approximately USD408 million in aggregate.

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

At 31 December 2014, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Borrowing Rates ("HIBOR"), London Inter-bank Borrowing Rates ("LIBOR") and People's Bank of China ("PBOC") Prescribed Interest Rate. The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swaps in which the Group would receive interest at variable rates at HIBOR and pay interests at fixed rates ranging from 0.53% to 0.64%; receive interests at variable rates at LIBOR and pay interests at fixed rates ranging from 0.54% to 0.71%; and receive interests ranging from 115% to 125% of the PBOC Prescribed Interest Rate and pay interests at a fixed rate of 7.52% and 7.85%, based on the notional amounts of HKD2,377 million, USD305 million and RMB656 million, in aggregate.

Save as disclosed above, as of 31 December 2014, the Group does not hold any other derivative financial instruments which were linked to exchange or interest rates. The Group continues to monitor closely its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk when necessary.

# MARKET OUTLOOK

Greenville at Dalian Tiandi

The economic recovery was gradual and highly unbalanced across the world's economies during 2014. In the US, where there was steady improvement in GDP growth and employment, the Federal Reserve fully exited its quantitative easing (QE) programme in 2014, and is on course to raise interest rates in 2015. In contrast, the EU announced that it would launch a QE programme of its own in March 2015 due to rising deflation risks.

This asynchrony in the global economy is generating uncertainties in the monetary policies of economies worldwide, thus raising volatility in financial markets and cross-border capital flows. In addition, geopolitical risks such as in Russia and the Middle East remained a threat to global economic stability. Against this backdrop, Chinese authorities faced enormous challenges in stabilising its growth pace, which is essential for on-going economic restructuring and reform. Although China's economic growth moderated slightly to 7.4% in 2014, this rate of growth was enough to add 13.2 million new jobs and contributed USD800 billion to global GDP growth. China's economy is likely to grow at around 7% in 2015, which is a slower but more sustainable pace.

During the year, the Chinese authorities eased property policies, which included relaxing housing purchase restrictions (except for Tier One cities), and lowering its lending interest rate by 40 basis points in November of 2014. These measures helped the recovery of both the land and residential markets towards the year end, yet residential inventory still increased by 25.6%, with full-year contracted sales declining 7.8% year-on-year to RMB6.24 trillion. The average selling price in 2014 increased marginally by 1.4% compared with 2013. This policy environment continued into 2015. On 28 February 2015, China's central bank announced to cut both lending and deposit rates by 0.25 points starting 1 March 2015. Thus, residential demand will be expected to remain stable. Residential property prices are projected to rebound in Tier One and major Tier Two cities, where supply was limited due to weakened property investment in 2014. Divergence across residential markets will continue to be a key theme, with market conditions remaining soft in low tier cities with high inventory levels.

The commercial property market benefited from China's rebalancing towards a consumption-driven model during the year. In 2014, consumption contributed 51.2% to GDP growth in China, which bodes well for commercial real estate. On the other hand, challenges for commercial property development are mounting from e-commerce. Online sales have become a significant competitor to retail sales through traditional stores, with e-commerce accounting for 10.6% of retail sales in 2014 and projected to increase to 13% in 2015. There was also intense competition stemming from the increase in commercial property inventory, which grew by 5% year-on-year in 2014 to reach 76 million sq.m. in China's 20 major cities, according to consultancy firm INSITE China. To counter these challenges, an omni-channel strategy has been increasingly adopted by retailers to take advantage of online marketing and payment methods. Moreover, brick-and-mortar commercial property is also evolving to embrace innovation and create enhanced customer experiences. All of these factors are causing a dramatic transformation in China's commercial property market sector.

Shanghai is a test bed for China's economic reform and restructuring. In 2014, the contribution from Shanghai's tertiary sector (services) to GDP rose to 64.8%, or 1.6 percentage points higher than the previous year. At the end of 2014, the State Council announced the expansion of Shanghai's Free Trade Zone from the original 28.78 square kilometres ("sq.km.") to 120.72 sq.km.. Included in this area are the Jinqiao Export Processing Zone, Zhangjiang Hi-tech Park, and the Lujiazui Financial Zone. The expansion of the Free Trade Zone provides enlarged scope for businesses to attract talent and capital flows into the tertiary sector. According to Jones Lang LaSalle, Grade A office rentals in Shanghai increased 2.6% year-on-year to RMB9.4 per square metre per day in the fourth quarter of 2014, owing to strengthening demand. Commercial retail ground floor rentals in Shanghai's core area also increased by 1.3% quarter-on-quarter to RMB51.2 per square metre per day in the fourth quarter of 2014.

Despite a slowing national economy, Chongqing maintained strong and stable GDP growth of 10.9% in 2014, putting the city among the top performers in China. Meanwhile, the value of Chongqing's tertiary sector exceeded the secondary sector (manufacturing and construction) for the first time. Chongqing is also on track to become a more externally-oriented economy with the commencement of the Yu-Xin-Ou railway to Europe. Total foreign trade grew by 37.6% in 2014, ranking Chongqing first in central-western China. These developments have further consolidated the role of Chongqing as China's leading regional economic hub. Under Chongqing's new urbanisation plan the Yuzhong District, where our project is located, will be a core metropolitan function area specialising in financial and professional services.

Located in Central China, Wuhan is an increasingly important transport hub, linking different regions of China by a high speed rail network. It has been included as a key city in the City Cluster in the Middle Reaches of the Yangtze River national development strategy and declared a potential candidate for the third batch of pilot Free Trade Zones. These policies will provide further support for Wuhan's future economic and industrial development. During the year, Wuhan achieved GDP growth of 9.7%. Wuhan's retail sales reached RMB436.9 billion, with a year-on-year increase of 12.7%. FAI increased by 16.7% year-on-year to RMB700.3 billion, and FDI increased by 18.1% year-on-year to USD6.20 billion.

Foshan's economy remained stable in 2014, registering 8.6% growth. In order to spur the city's economy, the prime economic objectives for Foshan are to accelerate the upgrade of its manufacturing sector through innovation and further develop tertiary industry. In support of these goals, the government aims to push forward industrial upgrading and develop the west bank of the Pearl River into an equipment manufacturing industrial zone.

As one of China's leading destinations for foreign investment, Dalian attracted more than USD14 billion of FDI in 2014. The city registered retail sales growth of 12% in 2014, making it one of the top three retailing centres in China's north-eastern region. One of the strategic initiatives of the Dalian government is to build a 123-kilometre railway tunnel under the Bohai Strait. This tunnel will shorten travel time between Dalian and Yantai to approximately 40 minutes from over six hours currently.

Financial market liberalisation, SOE reforms and enhanced government efficiency are the priority tasks outlined in China's economic work conference. The government is emphasising steady, robust growth this year through accommodative fiscal and monetary conditions that should support the property market. Nevertheless, market volatility and a strengthening US dollar could bring about a rise in funding costs. To cope with the changing operational environment, developers need to be vigilant and take steps to improve their cash flows and speed up asset turnover. We will continue to track changes in market conditions and make any necessary adaptations to our business model in line with evolving trends.

Riverside view of Chongqing Tiandi

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2014.

The Company is committed to enhancing its corporate governance practices appropriately in the conduct and growth of its business, and to pursuing the right balance between conformance and performance in its corporate governance. From time to time, the Company reviews its corporate governance practices to ensure they comply with all the applicable code provisions (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and aligns its practices with the latest developments of the CG Code. The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholders' value, and stakeholders' confidence in the Company.

The fruitful results of good corporate governance practices have enabled the Company to leverage its competitive advantages from many perspectives. The trust and support from the Company's stakeholders have become drivers and enablers of our continuing success and growth. The Company has also experienced these benefits during its onshore and offshore fund raisings and when entering into long-term strategic partnerships with renowned companies. From an ethical perspective, our integrity has won the trust of the PRC Government, which has in consequence granted us more new opportunities involving large scale metropolitan development projects.

## Corporate Governance Practices of the Company

The Board has reviewed the corporate governance practices of the Company along with the adoption and improvement of the various procedures and documentation, which are detailed in this report. During the year ended 31 December 2014, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code.

## Board of Directors

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. The Board has reserved for its decision or consideration matters concerning principally the Company's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointments or re-appointments, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the daily operations and administration of the Company to the management. The respective functions of the Board and management of the Company is published on the Company's website


The Company pursues a right balance between conformance and performance in its corporate governance.

and will be reviewed from time to time as appropriate. In addition, the Board has established Board committees and delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. In addition, a written procedure has been established to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

The Board had the full support of the Managing Directors and the senior management of the Company in discharging its responsibilities during the year ended 31 December 2014.

## Board Composition

As a commitment to good corporate governance, the Company's Articles of Association stipulate that, subject to the provisions contained therein, the Board shall include a majority of Independent Non-executive Directors ("INEDs").

On 10 January 2014, Mr Philip K. T. WONG was appointed as an Executive Director, a Managing Director and a member of the Finance Committee of the Company, and Mr. Freddy C. K. LEE resigned as an Executive Director, the Chief Executive Officer, a Managing Director and a member of the Finance Committee of the Company.

Apart from the above, during the year ended 31 December 2014 there was no change to the composition of the Board, and the majority of the members of the Board were INEDs.

The Board is currently made up of nine members in total, with three Executive Directors, one Non-executive Director and five INEDs. The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision-making.

During the year ended 31 December 2014 and up to the date of this report, the Board comprises the following Directors:

| Executive Directors |
|---|
| Mr. Vincent H. S. LO<br>(Chairman of the Board, member of Remuneration Committee, Chairman of Nomination Committee and Chairman of Finance Committee) |
| Mr. Daniel Y. K. WAN<br>(Managing Director, Chief Financial Officer and member of Finance Committee) |
| Mr. Philip K. T. WONG<br>(appointed on 10 January 2014)<br>(Managing Director and member of Finance Committee) |
| Mr. Freddy C. K. LEE<br>(resigned on 10 January 2014)<br>(former Managing Director, Chief Executive Officer and member of Finance Committee) |
| **Non-executive Director** |
| Mr. Frankie Y. L. WONG<br>(member of Audit Committee and member of Finance Committee) |
| **INEDs** |
| Sir John R. H. BOND<br>(member of Nomination Committee and member of Finance Committee) |
| Dr. William K. L. FUNG<br>(Chairman of Remuneration Committee and member of Finance Committee) |
| Professor Gary C. BIDDLE<br>(Chairman of Audit Committee, and member of each of Remuneration Committee, Nomination Committee and Finance Committee) |
| Dr. Roger L. McCARTHY<br>(member of Audit Committee) |
| Mr. David J. SHAW |

The above list of Directors and a description of their roles and functions were published on the websites of the Company and the Stock Exchange.

The brief biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" section on pages 96 to 101.

Currently, the Company has five INEDs representing more than half of the Board members. The number of INEDs who have the appropriate professional qualifications or accounting or related financial management expertise exceeds the requirement as stipulated under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. None of the Directors has any relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors.

# CORPORATE GOVERNANCE REPORT

The existing Directors, including the Non-executive Director and INEDs, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board to ensure its efficient and effective functioning. INEDs are invited to serve on the Board committees of the Company. Their active participation in Board and Board committee meetings brings independent judgment on issues relating to the Company's strategies, performance and management processes, taking into account the interests of shareholders of the Company. Site visits to the Company's projects are arranged from time to time so that members of the Board can keep abreast of project developments.

## Board Diversity

With a view to enhancing the Board's effectiveness and corporate governance, the Company sees that increasing diversity at the Board level is essential to maintaining a competitive edge in the evolving market environment. The Board recognises that it should include a balanced composition of Executive and Non-executive Directors (including INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

The Company adopted the Board Diversity Policy with measurable objectives since March 2013. The Nomination Committee evaluates the balance and blend of skills, experience and diversity of perspectives of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to age, cultural and educational background, professional and industry experience, skills, knowledge, ethnicity and other qualities essential to the Company's business, as well as the merit and contribution that the selected candidates will bring to the Board.

## Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of Directors are governed by the Company's Articles of Association, a copy of which has been published on the Company's website for public inspection. The Board, with the recommendation of the Nomination Committee, is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of INEDs.

The appointment of the Non-executive Directors (including INEDs) of the Company is subject to retirement by rotation at least once every three years and re-election of Directors pursuant to the Company's Articles of Association, the Listing Rules and any other applicable laws.

All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment, and every Director, including those appointed for a specific term, are subject to retirement by rotation at least once every three years. As such, no Director has a term of appointment longer than three years.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

The Company's Articles of Association also allow a qualified shareholder to propose a person, other than a retiring Director of the Company or a person recommended by the Directors, for election as a Director of the Company. The detailed requirements and procedure for such action have been published on the Company's website.

## Training, Induction and Continuing Development for Directors

Each newly appointed Director receives a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually updated on legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities.

During the year ended 31 December 2014, the Company invited external professional advisors to provide two training sessions to the Directors.

A training session under the title "2014 Legal and Regulatory Updates" was held on 18 March 2014. Mr. Vincent H. S. LO, Mr. Daniel Y. K. WAN, Mr. Philip K. T. WONG, Sir John R. H. BOND, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Mr. David J. SHAW attended this training session, and briefing materials were sent to all Directors for their perusal.

Another training session entitled "Recent Changes to the Listing Rules in relation to Connected Transactions" was held on 22 August 2014. Mr. Vincent H. S. LO, Mr. Daniel Y. K. WAN, Mr. Philip K. T. WONG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Mr. Frankie Y. L. WONG attended this training session, and briefing materials were sent to all Directors for their perusal.

In addition, individual Directors participated in forums and workshops organised by external professional consultants for continuous professional development. All Directors provided the Company with their training records in respect of the year ended 31 December 2014.

## Board and Board Committees Meetings and Shareholders' Meetings

### Number of Meetings and Directors' Attendance

The Company held an annual general meeting, two extraordinary general meetings ("EGM") and four regular Board meetings in the year 2014. The Company has already set a schedule for its regular Board meetings and Board committee meetings for the year 2015 in observance of the CG Code.

The attendance records of each Director at the Board meetings and shareholders' meetings in 2014 are set out below:

| Name of Directors | Attendance/ Number of Board meetings held during tenure | Attendance of the annual general meeting held on 28 May 2014 | Attendance of the EGM held on 9 October 2014 | Attendance of the EGM held on 24 October 2014 |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Mr. Vincent H. S. LO (Chairman) | 4/4 | ✓ | | |
| Mr. Daniel Y. K. WAN | 4/4 | ✓ | ✓ | ✓ |
| Mr. Philip K. T. WONG (appointed on 10 January 2014) | 4/4 | ✓ | | ✓ |
| Mr. Freddy C. K. LEE (resigned on 10 January 2014) | 0/0 | N/A | N/A | N/A |
| **Non-executive Director** | | | | |
| Mr. Frankie Y. L. WONG | 4/4 | ✓ | ✓ | |
| **Independent Non-executive Directors** | | | | |
| Sir John R. H. BOND | 3/4 | ✓ | | |
| Dr. William K. L. FUNG | 4/4 | | | |
| Professor Gary C. BIDDLE | 4/4 | | | |
| Dr. Roger L. McCARTHY | 4/4 | ✓ | ✓ | |
| Mr. David J. SHAW | 4/4 | ✓ | | |

### Practice and Conduct of Meetings

All Directors are given an opportunity to include matters in the agenda for regular Board meetings. Annual meeting schedules and the draft agenda of each meeting are made available to Directors in advance. Board and Board committee meetings are scheduled at least one year in advance to facilitate the maximum attendance of Directors.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board committees meetings, reasonable notice is generally given. Board papers together with appropriate, complete and reliable information are sent to all Directors at least three days or such other period as specified in the terms of reference of the relevant Board committees before each Board committee meeting to keep the Directors abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and, when necessary, other Board and Board committees meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board and Board committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction that involves a conflict of interest for a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The interested Directors shall abstain from voting and shall not be counted in the quorum at meetings for approving transactions in which these Directors or any of their associates have a material interest.

## Chairman and Chief Executive Officer

During the year ended 31 December 2014, Mr Freddy C.K. LEE resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 10 January 2014. The Board expected that more time would be taken to identify a suitable high calibre candidate with the appropriate skills and knowledge to become the new Chief Executive Officer of the Company. During the transitional period, Mr. Vincent H. S. LO ("Mr. LO"), who is the Chairman of the Company and one of the members of the Executive Committee of the Company (the "EXCOM"), resumed a more active role in steering the business and to leverage his experience to guide the EXCOM at a strategic level and promote the Company's sustainable growth. The

# CORPORATE GOVERNANCE REPORT


THE HUB is designed to be a modern international commercial centre

reformed EXCOM, after the reorganised management of the Group, collectively takes the key management role of the Company on executive decisions and takes up the functional duties of Chief Executive Officer. The roles of Chairman and chief executive of the Company are separated and currently performed by Mr. LO and the EXCOM respectively. The division of responsibilities of Chairman and chief executive is clearly established and set out in writing.

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2014.

To comply with code provision A.6.4 of the CG Code, the Company has established and adopted a Code for Securities Transactions by Relevant Employees (as defined by the Listing Rules), on terms no less exacting than the Model Code, to regulate dealings in the securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities because of their offices or employment.

No incident of non-compliance with the Model Code and the above code by the Directors and relevant employees was noted by the Company during the year ended 31 December 2014.

## Board Committees

During the year ended 31 December 2014, the Board had four Board committees, namely, the Remuneration Committee, the Audit Committee, the Nomination Committee and the Finance Committee, for overseeing particular aspects of the Company's affairs.

The four Board committees of the Company are established with defined written terms of reference and approved by the Board, which set out the Board committees' respective duties. The terms of reference of the Board committees have been reviewed from time to time to cope with the latest amendments of the Listing Rules and the needs of the Company.

Except for the Finance Committee, the majority of the members of each Board committee are INEDs. A list of the Chairman and members of each Board committee is set out in the "Corporate Information" section on page 218.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, may seek independent professional advice in appropriate circumstances, at the Company's expense.

## Remuneration Committee

During the year ended 31 December 2014, the Remuneration Committee consisted of three members:

- Dr. William K. L. FUNG (Chairman of Remuneration Committee)
- Mr. Vincent H. S. LO
- Professor Gary C. BIDDLE

A majority of the members of Remuneration Committee are INEDs.

The primary functions of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy, evaluate the performance and make recommendations, if any, on the remuneration packages and compensation of the Directors and senior management, and to evaluate and make recommendations on employee benefit arrangements.

The Human Resources Department is responsible for collecting and administrating human resources data and making recommendations to the Remuneration Committee for its consideration. The Remuneration Committee shall consult the Board about these recommendations on the remuneration policy, structure and packages.

The Remuneration Committee normally meets to review the remuneration policy and structure and to determine the annual remuneration packages of the Executive Directors and the senior management and other related matters.

The terms of reference of the Remuneration Committee are published and are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held one meeting during the year ended 31 December 2014 (with an attendance rate of 100%).

During the reporting period, the Remuneration Committee reviewed the remuneration policy and structure of the Company and made recommendations to the Board for its consideration.

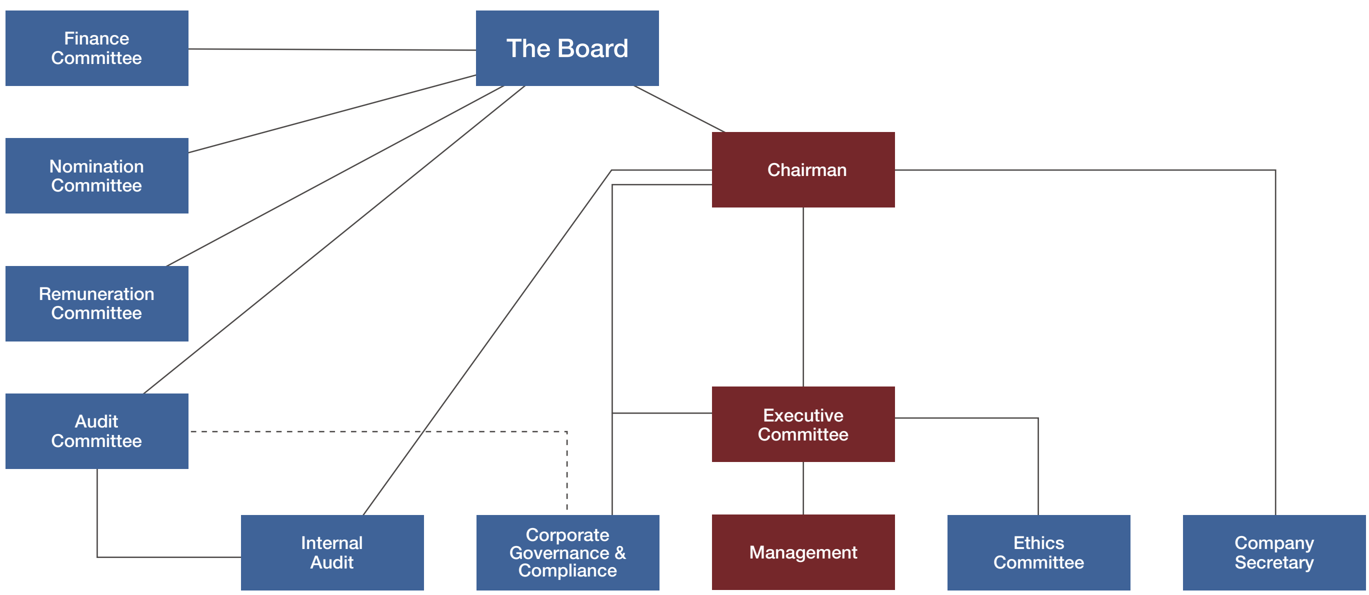
## Audit Committee

During the year ended 31 December 2014, the Audit Committee consisted of three members:

- Professor Gary C. BIDDLE (Chairman of Audit Committee)
- Dr. Roger L. McCARTHY
- Mr. Frankie Y. L. WONG

All members of Audit Committee are Non-executive Directors, a majority of whom are INEDs. All members of the Audit Committee have no previous relationships to the Company's existing external auditor.

## Shui On Land Corporate Governance Organisation for the year ended 31 December 2014



# CORPORATE GOVERNANCE REPORT

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditor before submission to the Board.
- To review and monitor the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor.
- To review the adequacy and effectiveness of the Company's financial controls, internal control and risk management systems and associated procedures.
- To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.

The terms of reference of the Audit Committee are published and are available on the websites of the Company and the Stock Exchange.

The Audit Committee has reviewed the Group's interim results for the six months ended 30 June 2014 and annual results for the year ended 31 December 2014, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditor.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In addition, the Audit Committee has reviewed the auditor's remuneration. The Audit Committee has the same view as the Board regarding the selection, appointment, resignation or dismissal of the external auditor.

The Audit Committee held two meetings during the year ended 31 December 2014 (with an attendance rate of 100%).

The Audit Committee also held separate meeting(s) with the external auditor and the internal auditor during the year to discuss pertinent issues of the Company without the Executive Directors being present.

The Audit Committee reviewed the risk assessment conducted by the internal auditor on the Audit Committee meeting(s) and made summary reports to the Board. It also uses a self-assessment checklist to review and enhance the performance of the Audit Committee on a semi-annual basis. Periodically, the members of the Audit Committee visit the Company's projects to keep abreast of their development.

## Nomination Committee

During the year ended 31 December 2014, the Nomination Committee consisted of three members:

- Mr. Vincent H. S. LO (Chairman of Nomination Committee)
- Sir John R. H. BOND
- Professor Gary C. BIDDLE

The majority of members of the Nomination Committee are INEDs.

The primary functions of the Nomination Committee are to review the structure, size and composition of the Board and the Board Diversity Policy, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs and make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

The terms of reference of the Nomination Committee are published and are available on the websites of the Company and the Stock Exchange.

The Nomination Committee held one meeting during the year ended 31 December 2014 (with an attendance rate of 100%).

During the reporting period, the Nomination Committee reviewed the Board's composition with reference to the Board Diversity Policy.

## Finance Committee

During the year ended 31 December 2014 and as at the date of this report, the Directors who were members of the Finance Committee were:

- Mr. Vincent H. S. LO (Chairman of Finance Committee)
- Mr. Philip K. T. WONG (appointed on 10 January 2014)
- Mr. Freddy C. K. LEE (resigned on 10 January 2014)
- Mr. Daniel Y. K. WAN
- Mr. Frankie Y. L. WONG
- Sir John R. H. BOND
- Dr. William K. L. FUNG
- Professor Gary C. BIDDLE

The majority of the members of the Finance Committee are Non-executive Directors (including INEDs).

The Finance Committee held two meetings during the year ended 31 December 2014. All members of the Finance Committee attended the two meetings, except Dr William K. L. FUNG who attended one of the meetings.

The primary functions of the Finance Committee are to stipulate and monitor the financial strategies, policies and guidelines of the Company, review and monitor the Company's financial performance, and the performance of the Chief Financial Officer and Finance Department of the Company.

During the year ended 31 December 2014, major tasks of the Finance Committee included the setting and formulation of high-level financial policies and guidelines; reviews and approval of annual budgets, profit forecasts, financial planning and results, and treasury updates; evaluations of proposals on fund raising, acquisition and disposal of material assets, reduction of gearing ratios, acquisitions/mergers, spin-off plans, and making recommendations to the Board on such matters.

## Risk Assessment/Management

### Strategic Planning

The Company has formulated a Three-Year Strategic Plan to expedite the development and harvesting of profits earned by the Company in the interest of its shareholders.

During 2014, strategic action plans were developed, executed, implemented and monitored by relevant executives and management to achieve the Company's medium-term goals and objectives. The Company also developed balanced scorecards to strengthen and measure the alignment of individual performance in attaining these goals and objectives.

### Resources Planning and Cost Controls

During the year ended 31 December 2014, the Company's main focus on resource planning remained fund raising through various means to expedite completion of the maturing projects, as well as to strengthen its capabilities in managing its retail resources to meet future challenges. This was done successfully, enabling the Company to increase its focus on delivering the targets of its Three-Year Plan.

Management continues to focus on controlling costs in the short and long run, enhancing the Company's cost-conscious culture and behaviour, and reviewing and monitoring the Company's expenditures.

### Enterprise Risk Management

Risk management efforts are led by the project directors and functional department heads. The Audit Committee requires management to present a risk assessment/management report at every Audit Committee meeting.

## Internal Control

During the year ended 31 December 2014, management and internal audit conducted reviews of the effectiveness of the Company's system of internal controls, including those of its subsidiaries and major associates. The Audit Committee reviewed the summary report prepared by the internal auditors on the effectiveness of the Company's system of internal controls and reported its summary results to the Board covering all material controls, including financial, operational and compliance controls and risk management functions. The Board also considered the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

The Company is currently in the process of updating its policies and procedures to reflect ongoing organisational changes.

## Internal Audit

During the year ended 31 December 2014, the Chief Internal Auditor of the Internal Audit Department functionally reported to the Chairman, and had full and free access to the Audit Committee. The internal audit charter allows the internal auditors to have unrestricted access to all functions, records, property and personnel, while maintaining appropriate confidentiality in performing their work.

The Internal Audit Department helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the risk management, control and governance processes. Risk assessments are conducted semi-annually by the Internal Audit Department to formulate a risk-based internal audit plan based on interviews and discussion with management and staff for the Audit Committee's approval.

During the year ended 31 December 2014, the Internal Audit Department issued reports to the Chairman and relevant management personnel covering various operational and financial processes and projects of the Company. It provides summary reports to the Audit Committee together with the status of the implementation of their recommendations at each Audit Committee meeting.

Shui On Land Board members visit project construction sites

# CORPORATE GOVERNANCE REPORT

## Ethical Corporate Culture

The Company has established various policies, including its Code of Conduct and Business Ethics, governing business ethics and best practices. The Company emphasises integrity as an important foundation of its corporate culture and a strategic choice, and leverages it as one of its competitive advantages. New staff undergo an introduction to ethics in their orientation and are required to join an ethics training session conducted by a member of the Ethics Committee or senior management upon completion of their probationary period. Selected staff are designated as ethics experts, whose mission is to further enhance the ethical awareness and standards of the Company by providing coaching and training to other staff. Ethics training is developed by the Human Resources Department, and various training sessions were delivered to staff during 2014.

Before the end of each year, all managers and above, together with other selected staff, must complete an on-line declaration of their commitment to abide by the Company's Code of Conduct and Business Ethics in all their business dealings.

## Anti-fraud Measures

An Irregularities Reporting System (or whistle-blowing system) was installed for reporting violations of the Company's Code of Conduct and Business Ethics as well as making complaints about integrity related matters from staff, vendors, customers and/or business partners. Telephone hotlines and special e-mail addresses and mailboxes were set up so that complaints could reach the Chairman of the Audit Committee or the secretary of the Ethics Committee. At each Audit Committee meeting, a summary report of the complaints received and their follow up results are tabled for review.

The Ethics Committee also issued an Irregularity Report Policy. This policy clarifies the Company's treatments and procedures on handling potential violations that have been reported, but at the same time tries to avoid abuse by disgruntled employees or ex-employees.

An incident reporting procedure was formulated to enable the systematic, timely and uniform reporting of incidents such as potential fraud to the Chief Financial Officer by personnel involved in internal control activities related to financial and/or automated information systems.

An Anti-fraud Assessment Framework was used to facilitate the annual assessment of risks or potential fraud by individual projects and departments. The results were examined, and appropriate control measures were established to mitigate those risks. Annual results are summarised and presented to the Audit Committee for review.

## Responsibilities in respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The Board is responsible for overseeing the preparation of financial statements of the Company and reviewing the same to ensure that such financial statements give a true and fair view of the state of affairs of the Company and that relevant statutory requirements and applicable accounting standards are complied with.

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company that is put to the Board for approval.

The statement of the external auditor of the Company about their reporting responsibilities in regard to the financial statements is set out in the "Independent Auditor's Report" on page 115.

Construction site of THE HUB

## External Auditor and Auditor's Remuneration

The remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services performed for the year ended 31 December 2014 is set out as follows:

| Services rendered for the Company | Fee paid/payable (HK$ 'M) |
|---|---|
| **Audit services:** | |
| • Annual audit of the financial statements of the Company and its subsidiaries | 7.9 |
| **Non-audit services:** | |
| • Review of interim report for the six months ended 30 June 2014 | 1.6 |
| • Issue of comfort letters in respect of senior notes of the Company | 3.7 |
| • Accounting consultation in respect of the application of relevant accounting standards in various scenarios | 1.3 |
| • Audit of completion accounts of certain subsidiaries in respect of major transaction of the Company | 0.7 |
| • Tax compliance review | 1.9 |
| **Total:** | **17.1** |

## Annual Remuneration of Directors and Senior Management

The remuneration of the Directors and senior management of the Company is determined in accordance with the Company's remuneration policy and structure.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

| Annual remuneration by band | Number of individuals |
|---|---|
| RMB2,000,000 and below | 2 |
| RMB2,000,001 – RMB3,000,000 | 3 |
| RMB3,000,001 – RMB4,000,000 | 5 |
| RMB4,000,001 and above | 9 |

Details of the remuneration of the Directors for the year ended 31 December 2014 are set out in note 10 to the financial statements.

## Communication with Shareholders and Investors/Investor Relations

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make informed investment decisions. The goal of our communication activities is to provide a true and fair view of the Company. A Shareholders' Communication Policy has been published and is available on the Company's website.

In order to enhance the transparency of corporate information and comply with the relevant regulatory regime, the Company disseminates the inside information regarding the monthly sales information in the form of announcements through the electronic publication system of the Stock Exchange as well as the website of the Company since January 2013 for equal, timely and effective access by the public. Announcements regarding the monthly sales updates are prepared on the basis of internal management records.

In addition, the connected and major transactions are reviewed and assessed by the Board or an independent Board committee as required for such purposes before submission at shareholders' meetings for approval and/or public disclosure (if necessary).

The Company uses various channels and platforms, including its annual and interim results announcements, press conferences and analyst briefings, and various industry conferences, to ensure the timely release of important messages.

# CORPORATE GOVERNANCE REPORT

Major Investor Relations Events in 2014/2015

| 2014 | Event | City |
|---|---|---|
| January | Barclays China Property Day 2014 | Hong Kong |
| | DBSV Pulse of Asia Conference | Singapore |
| | BNP Paribas Property Day | Hong Kong |
| | 2014 UBS Greater China Conference | Shanghai |
| | 12th Annual dbAccess China Conference 2014 | Beijing |
| March | 2013 Annual Results Roadshow | Hong Kong, Singapore |
| April | 2013 Annual Results Roadshow | US, Canada, Europe |
| | UBS HK/China Property Conference 2014 | Hong Kong |
| | HSBC 5th Annual Greater China Property Conference | Hong Kong |
| May | Macquarie Greater China Conference | Hong Kong |
| | DBSV Pulse of Asia Conference | Hong Kong |
| | Morgan Stanley 5th Annual Hong Kong Investor Summit | Hong Kong |
| | Barclays Capital Pan-Asia Real Estate Conference | Hong Kong |
| | 5th Annual DB Access Asia Conference 2014 | Singapore |
| June | J.P. Morgan China Summit 2014 | Beijing |
| | BAML Greater China Property Corporate Day | Hong Kong |
| | Credit Suisse China Property Corporate Day | Singapore |
| July | DBSV Pulse of Asia Conference | Singapore |
| August | 2014 Interim Results Roadshow | Hong Kong |
| September | 2014 Interim Results Roadshow | Singapore |
| | BAML 2014 Global Real Estate Conference | New York |
| October | HSBC China Conference | Shanghai |
| | Jefferies 4th Annual Asia Corporate Access Summit | Hong Kong |
| November | BAML China Conference | Beijing |
| | 13th Morgan Stanley Asia Pacific Summit | Singapore |
| | Goldman Sachs Greater China CEO Summit 2014 | Hong Kong |
| December | BAML Greater China Property & Conglomerates Corporate Day | Hong Kong |
| **2015** | **Event** | **City** |
| January | Barclays China Property Day 2015 | Hong Kong |
| | DBSV Pulse of Asia Conference | Singapore |
| | BNP Paribas Property Day | Hong Kong |
| | 2015 UBS Greater China Conference | Shanghai |

Information released by the Company to the Stock Exchange is also published on the Company's website, which is regularly updated. Key events regarding financial results, business developments and operations are also announced on a timely basis to investors through the corporate website. With a free subscription, registered shareholders and investors can receive automatic email alerts and press releases on the Company's public announcements. Request forms for site visits and management meetings, and contact persons in the investor relations team can also be found on the Company's website.

To maintain and improve visibility of the Company in the financial community, the Company held numerous road shows and participated in investor conferences during the year ended 31 December 2014. The management and the investor relations team met hundreds of investors personally to discuss the Company's development and strategies in conference calls and video meetings.

The general meetings of the Company provide the best opportunity for the exchange of views between the Board and shareholders. The Chairman of the Board as well as Chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Finance Committee or, in their absence, other members of the respective Board committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings. The Chairman of the independent Board committee (if any) is also available to answer questions at any general meeting for approval of a connected transaction or any other transaction that is subject to independent shareholders' approval.

To enhance communication with shareholders at the Company's annual general meeting and extraordinary general meeting, the conducting language has been changed to Cantonese with simultaneous interpretation in English. Most of the Directors were present at the Annual General Meeting held on 28 May 2014. The general meetings provided shareholders with a useful forum to exchange views with the Board.

To further enhance and provide more direct communications with the Company's shareholders, a "Networking with Shareholders" session was conducted immediately after the Annual General Meeting. During the session, shareholders were able to discuss matters face to face with senior management, have their questions answered and learn about the latest business initiatives and long-term development strategies of the Company. Networking opportunities held by the Company were well attended by the Company's shareholders.

The Company continues to enhance communications and relationships with its investors. Designated members of the senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

## Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association.

Poll results are made available by way of an announcement, which is published in accordance with the Listing Rules.

Pursuant to Article No. 66 of the Company's Articles of Association, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right to require an EGM of the Company to be called by

Current situation of THE HUB

the Board by written requisition to the Board or the Company Secretary of the Company. Shareholders should specify the business they wish to discuss at the EGM in the written requisition. Shareholders may put forward proposals at general meetings of the Company in the same manner as set out above.

The Board shall arrange to hold the EGM within two months after deposit of the requisition. If within 21 days of deposit of the written requisition the Board fails to convene the EGM, the shareholders themselves may do so in the same manner, and all reasonable expenses incurred by the shareholders shall be reimbursed to the shareholders by the Company.

Shareholders may at any time direct their enquiries about the Company to the Board by writing to the Company's place of business in Hong Kong at 34/F, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong or by email to sol.ir@shuion.com.cn.

Shareholders may also put forward their enquiries to the Board at the general meetings of the Company.

## Awards Received

With respect to the financial year ended 31 December 2014, the Company was awarded the Corporate Governance Asia Recognition Award 2014 – Icon of Corporate Governance and Corporate Governance Asia Recognition Award 2014 – Best Investor Relations Company organised by Corporate Governance Asia.

## Corporate Governance Enhancement

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but also about promoting and developing an ethical and healthy corporate culture. The Company is committed to maintaining a high standard of corporate governance within a sensible framework, with an emphasis on the principles of transparency, integrity, accountability, sustainable development and independence. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. We have also experienced the trust of our shareholders, especially our minority shareholders, noting that they and the investment analyst community have lent the Company full support based on their recognition of our efforts to enhance corporate governance. All views and suggestions from our shareholders to promote our transparency are welcome.

# CORPORATE SOCIAL RESPONSIBILITIES

Shui On Land is guided by a customer-oriented business philosophy and a strong sense of social responsibility. When we build the developments for which we have become renowned, we not only plan them with the greatest attention to detail, we do so in a way that brings man and the environment, business and society, into harmony.

## Community Development

Our commitment as a socially responsible company is focused on the community, the environment and people. The carefully designed plans we implement are intended to improve the community while supporting governments' efforts to raise people's standard of living.

### Developing Talent, Encouraging Innovation

To support the long-term development needs of society, we are committed to nurturing talented young people and encouraging innovation.

In 2014, we successfully completed the three-year Shui On-Fudan Youth Entrepreneurship Course jointly organised by the Group and Fudan University. Between 2011 and 2014, Shui On Land donated a total of RMB6.6 million to the programme, the aim of which was to inspire entrepreneurship in university students through a systematic and targeted training course on innovative entrepreneurship. In the autumn of 2014, the programme's Innovative Corporate Strategy and Opportunity Choices elective was uploaded onto China's biggest Massive Open Online Course ("MOOC") platform. As the only entrepreneurship-related course on the platform, the elective provided guidance on innovative entrepreneurship to a large number of young entrepreneurs.

We also offered two accelerated InnoSpace International Entrepreneurship Training Camps over a 16-week period at the Knowledge & Innovation Community ("KIC") in the spring and autumn of 2014. This programme provided comprehensive incubation services for tech entrepreneurs, helping them to improve their business models, attract angel users, facilitate partnership matches, and create competitive products and services.

In November, KIC held the Third Shanghai Maker Carnival, which featured a wide range of fun and innovative projects created by inventors of all ages and occupations. This hands-on event introduced the public to a variety of fascinating tools and gadgets, including toys, robots and 3D printing. A total of some 10,000 visitors attended the event to participate in the enjoyment of creating and sharing innovative ideas. KIC also held a series of Talk with the Master forums, on topics ranging from architectural design and clean energy to IT networks and anime games. The forums were an excellent platform for ordinary entrepreneurs and members of industry to engage in face-to-face dialogue and discuss joint development opportunities.

### Interaction for Development

Global exchanges can provide China's fast-growing property market with a more international perspective as well as opportunities to learn from the practical experience of others.

In 2014, we donated RMB1,000,000 to the Yabuli China Entrepreneurs Forum Development & Research Foundation in support of the foundation's academic research. We also organised exchanges, collaboration opportunities and training at the Annual Conference of Yabuli China Entrepreneurs Forum and the Yabuli China Entrepreneurs Forum Summer Summit.

In September, Shui On Land and our subsidiary China Xintiandi jointly sponsored the Ten Principles of Urban Regeneration Making Shanghai a Better City Conference, organised by the Urban Land Institute. During these sessions, we presented reports with a focus on ten principles related to the challenges facing urban regeneration in Shanghai. Both Shanghai Xintiandi and KIC were selected as two case studies illustrating how to conserve cultural heritage sites and integrate economic development.

During the year under review, Shanghai Xintiandi was selected as the first exhibition venue for the 10th Shanghai Biennale, a premium event on the international contemporary art scene popular with Shanghai residents. In September 2014, the Shanghai Xintiandi Contemporary Public Art Exhibition, curated by artist Wang Hui in a crossover project, showed more than 30 artworks by renowned contemporary artists from China and overseas.

The event is part of Shanghai Xintiandi's efforts to promote the most creative examples of public art. Through thematic exhibitions such as the Shanghai Biennale, we also plan to bring in outstanding contemporary art from China and overseas to provide a creative and new artistic experience for members of the public and art lovers.

Another event, the 2014 Xintiandi World Music Festival, was held at Shanghai Xintiandi, Wuhan Tiandi, Chongqing Tiandi, Dalian Tiandi and Foshan Lingnan Tiandi. Six bands were invited from five countries, including China, Spain and Switzerland, to give world-class musical performances. The events encouraged musical interactions between world musicians and residents in the respective cities.

Chongqing Tiandi became the first location for Memories of Times – A Bit of China in December. This was the first commercial project in China featuring parenting and television programmes combined with Chinese traditional culture, regional cuisines and folk art.

## Building a Harmonious Society

We encourage our staff to help communities in need through different means such as donations, volunteer teaching in villages and community service. In doing so, we are contributing towards social harmony and a better home for everyone.

Our Huaihai Healthy Building Chapter 1: 18 Forms to Health Programme in 2014 focused on occupational health issues such as neck and spinal ailments, periarthritis, and back and leg pains experienced by office workers. The indoor exercise regime recommended under the programme can be done within an office so that staff can enjoy a healthy lifestyle.

In August following the earthquake in Ludian, Yunnan, the Shui On Seagull Club mobilised colleagues to donate school supplies and toiletries for more than 600 children affected by the earthquake in Yunnan's Zhaotong City, and goods delivered to the disaster-stricken area on 1 September, before the school term started. Volunteers from Shanghai, Wuhan and Foshan joined with our employees to hand over the supplies to the children of Ludian.

On 1–5 October, 17 volunteers from Shui On Seagull Club spent their holidays as teachers in Nanzhuang Elementary School in Taihu County, Anhui. In addition to teaching Chinese chess, English, leaf painting and public speaking, the volunteers brought with them donations of computer, sports equipment and stationery from the Shui On Seagull Club. The interactions over the five days left the children and volunteers with fond memories.

Shanghai Xintiandi held the Kiss the Moment – Shanghai Xintiandi New Year 2015 Lighting Ceremony in December. During this event, Shanghai Xintiandi tenants raised the bar for charity drives – for every kiss received, a donation was made to the Go to School Public Charity Programme organised by China National Radio – MusicRadio and the China Children and Teenagers' Fundation. Through this event, Shanghai Xintiandi mobilised the residents of Shanghai to show concern for children who could not go to school by using a kiss as a symbol of love.

The Wuhan Children's Welfare Home held an open day in August, during which the Seagull Club donated milk powder and disposable diapers, both of which were in short supply. The volunteers also visited a children's art exhibition and played games with the children of the welfare home. In November, the Seagull Club held a charity walk and invited the participation of partners such as the P&T Group. A total of RMB44,514 was raised by the Seagull Club for the Wuhan Children's Welfare Home, which will be used to buy equipment for the new wing of the Home.

In Chongqing, Seagull Club volunteers assisted the Hong Kong Worldview Childhood Education Foundation and the Chongqing Women's Federation in the Cradle for Teachers Project in rural kindergartens. Based on the principle of teaching people to fish rather than just giving fish to them, the project trains kindergarten teachers in childhood development through work and play. The programme helps disadvantaged rural children adapt to future social challenges by giving them diverse educational opportunities.

Dalian Tiandi's Seagull Club held the Environmental Protection Makes Better Life Programme for sanitation workers at the high-tech zone in IT Tiandi in May. The workers were thanked for their contributions and presented with vacuum cups printed with the words Dalian Tiandi.

In Foshan, the Seagull Club visited hearing impaired children at the Guangzhou Fenfang Deaf Children's Speech Training Centre in March and held a garden party for them. The children completed the games with help from the volunteers. In April, a charity walk was held at Foshan Open-air Swimming Playground, where over 60 staff helped raise RMB24,978 in donations. Foshan Lingnan Tiandi organised the Love to the Migrant Children activity in August, with children from the Chancheng District Love

Shui On Seagull Club members volunteer for the rural education in Anhui Province and present love and care to children there

# CORPORATE SOCIAL RESPONSIBILITIES

School in Foshan. Led by the Xintiandi customer service representatives, the children toured Foshan Lingnan Tiandi and learned about the history and culture of Lingnan. The Seagull Club also arranged for the children to bake cookies under the guidance of a pastry teacher. The cookies they brought home with them were just part of their fond memories of the holiday.

## Employee Training and Development

The identification of high-calibre employees at an early stage, and preparing them to take on management and leadership responsibilities through tailored training programmes, is a major objective of the Group for its sustainable growth.

### Management Cadet (MC) Programme

This fast-track development programme was established in 2002 for all internal staff with at least three years of working experience. The objective of the programme is to develop employees' potential for taking up core management positions in an accelerated time frame. As of 31 December 2014, a total of 24 management cadets were enrolled in the programme and 15 had completed it.

### Management Trainee (MT) Programme

Established in 1997, this programme prepares fresh graduates to take up management positions. Under the mentorship of experienced staff, the trainees undergo a rigorous three-year training period of personal development and management skills training. The Group recruited three new members in 2014, and as of 31 December 2014 a total of 8 management trainees were in the programme.

### Graduate Trainee (GT) Programme

Under the Graduate Trainee Programme, fresh graduates are prepared to take up relevant professional positions in the Group through industry-specific training, as well as essential management techniques. The duration of the course varies for different professional streams. Throughout the programme, job rotation arrangements are made for each trainee, and a six to twelve months secondment to external professional institutions is also arranged where applicable. As of 31 December 2014, there were 52 graduate trainees in the programme.

The corporate culture wall at the headquarters is used to strengthen communication between the staff and the Group across all projects

### Summer Internship Programme

Established in 2001, this programme provides four to eight weeks of summer internship opportunities for university students from both the Hong Kong SAR and the Chinese Mainland. A total of 14 students joined the summer internship programme in 2014, of which 3 applied and were given the Green Path for fast access in the management trainee or graduate trainee recruitment process.

## Sustainable Development

As a leading property developer in Hong Kong and the Chinese Mainland, Shui On Land has demonstrated leadership not only in business growth but sustainable development.

### Committed to the Principle of Sustainability

We firmly believe that sustainability is a necessary condition for project development. As early as 1997, sustainable development principles were already evident in Shanghai Taipingqiao, the first large-scale community on the Mainland developed by the Group. Shanghai Taipingqiao was conceived as a pedestrianised area with renovated traditional buildings. A formal Sustainable Development policy was created in 2006 and a Sustainable Development Committee established shortly thereafter to integrate sustainability principles into the policymaking process. In the eight years since its formation, the Committee has held regular meetings and implemented sustainability initiatives that have been applied to the Group's projects. Under this policy, green buildings are constructed using eco-friendly technology and green areas put in place to offer tenants a healthy lifestyle.

The Group is committed to the following green principles:

- **Green Planning**

  We integrate green and healthy development concepts into our projects, creating sustainable communities according to reasonable planning principles. At the same time, we commit to having all large-scale master-planned projects achieve certification under the Leadership in Energy & Environmental Design (LEED) Neighbourhood Development (ND) scheme. Currently, the Group is the developer with the most LEED-ND Stage 2 Gold level (Pre-certification) in China.

- **Green Design**

  We take into full account sustainable principles in building design on all of the projects we undertake. We aim to protect the environment and reduce pollution through the conservation of energy, water, land and materials. Over 100 sustainable technologies are incorporated into our projects to ensure clients can enjoy healthy and efficient use of space in buildings that are in harmony with nature. Our objective is that all new commercial projects will be certified by LEED or China Green Building standards, and all new condominium projects certified by the China Green Building Council. Most of the Group's green designs make use of sustainable technology, but the designs are not based on technology alone. They are also intended to foster a healthy and comfortable lifestyle, where environmental protection is an attitude towards life.

- **Green Construction**

  We advocate green practices in the workplace by using green or recyclable materials to save resources and minimise the waste we generate. On our construction sites, we have adopted a number of measures with a focus on recycling and reuse of waste materials, providing sufficient storm water runoff facilities, and closely monitoring the indoor working environment. These efforts have helped to ease the impacts of our construction work while creating a healthy working environment for construction workers.

- **Green Operations**

  The Group's China Xintiandi and Shanghai Feng Cheng Property Management Co. Ltd., are guided by a professional approach to business operations and property management to create a healthy living and working environment for clients.

## Clear Goals for Sustainable Results

The Group measures its sustainable development against the highest international standards. All large-scale master-planned projects aim to obtain LEED-ND certification, while all new commercial projects aim to be certified by LEED or the China Green Building Design Council.

In 2014, many of the Group's projects were awarded certification by LEED and China Green Building Design. In January, Lot 127 in Shanghai Taipingqiao obtained a Chinese Green Building Design Label 3 Star rating. In February, Shanghai Taipingqiao was awarded the LEED-Neighbourhood Development (ND) 2009 Version Stage 2 Gold level (Pre-certification). In March, Lot 1 in Foshan Lingnan Tiandi achieved the LEED-Core & Shell (CS) Certification Gold level. In April, Lot D19 (commercial) in THE HUB was awarded the Chinese Green Building Design Label 2 Star rating. In September, Lots B12-3 (commercial) and B12-4 (commercial) in Chongqing Tiandi were awarded the LEED-Core & Shell (CS) Certification Gold level. In October, Lot E02 (Phase 1) in Huang Ni Chuan Plate of Dalian Tiandi was given the Chinese Green Building Design Label 2 Star rating.

The Group has also received government recognition for its efforts in sustainable development. In October, Corporate Avenue at Shanghai Taipingqiao and Shui On Plaza received 2014 Key Energy Conservation Support Fund Certificates by the People's Government of Huangpu District, Shanghai for their energy conservation efforts, as well as RMB90,500 from the Energy Conservation Support Fund. In November, Foshan Lingnan Tiandi • Park Royale was given the Green Community Certificate of Guangdong Province by the Guangdong Real Estate Association.

## Multi-pronged Approach to Improving Product Quality

To improve the quality of our products, we apply the most advanced planning concepts, designs, work methods and materials technology on our projects. For example, Shanghai Taipingqiao, which was awarded the LEED-Neighbourhood Development (ND) 2009 Version Stage 2 Gold level (Pre-certification), will be transformed into a vibrant city centre. It is designed to be a low-carbon, convenient and healthy environment that respects the local culture. The project, which features a comprehensive range of public services and facilities, has 41,600 sq.m. set aside for a manmade lake and green spaces. Trees along the walkways will provide at least 50% of the shade and make walking comfortable. The highly reflective building façade reduces energy consumption, building materials are certified green, and the fresh air volume per person is 30% higher than the ASHRAE standard in the United

The fine-planned open area provides a comfortable space for outdoor activities

# CORPORATE SOCIAL RESPONSIBILITIES

States. In new commercial buildings, "oxygen-bar" offices are provided via carbon dioxide sensors in high density areas. With Shanghai Taipingqiao, we have demonstrated our development concept of sustainable communities in its entirety.

The PM2.5 problem caused by outdoor atmospheric pollution has been a cause of growing concern in recent years. We are investigating technological solutions to combat this environmental challenge together with the Shanghai Research Institute of Building Sciences on control guidelines. For Lot B14 in Wuhan Tiandi, we have adopted a total heat exchanger PM2.5 filter system and an indoor fresh air system to improve indoor air quality. The system comprises three layers, including a first layer of non-woven cloth that removes dust particles larger than 5 micrometres. The second layer of activated carbon absorbs harmful substances such as formaldehydes, BTEX, ammonia and radon. The third HEPA filter layer is to filter PM2.5 effectively.

We also clearly set out health, safety and environmental (HSE) requirements in our contracts, focusing on environmental protection and the prevention of water, air, sound, solid waste, and soil and groundwater pollution. Measures have also been implemented at work sites to save energy, use renewable energy, conserve water and avoid wasting materials. Under our green sourcing policy, main contractors, mechanical and electrical contractors, fine decoration contractors and suppliers must use manmade boards, glues and water-based paints with the Attestation of Chinese Environment Mark or equivalent. All of these products are better for the environment as they are less toxic and save more resources than similar products.

In line with the Group's sustainable development strategy, our subsidiary China Xintiandi and Shanghai Feng Cheng Property Management Co., Ltd. continued their initiatives to conserve energy and reduce emissions. The following management measures were implemented during the year:

- **Energy Conservation Management**
  - Optimising equipment maintenance routines by China Xintiandi
  - Regular inspections for energy conservation purposes
- **Lighting Energy:**
  - Full upgrading of LED lighting fixtures
  - Loop control of lighting according to purpose, and change sensor lighting and light control lamps
  - Comprehensive energy management with contracted parties
- **Air-conditioning Energy Management:**
  - Upgrade the centralised air-conditioning automatic group controls in most office buildings and commercial projects, and use the latest intelligent control systems (Ultra Performance Plant Control, Johnsoncontrols, etc.)
  - Upgrade frequency controls of water pumps in original office building projects
  - Adjust power loads through peaks and troughs, use night-time stored heat as energy to power air-conditioning
  - Use management tools to control the temperature of boiler blow-down water during low utilisation periods
- **Power Energy Management:**
  - When the power load is small, adjust the loop load and raise transformer efficiency
  - Upgrade reactive power compensation to raise efficiency of electricity usage
  - Change and upgrade large-capacity transformers to increase efficiency based on operational format
- **Air Quality Display Platform:**
  - 5 Corporate Avenue at Shanghai Taipingqiao is currently promoting a visualisation-based energy consumption monitoring system. This system provides visual presentations of energy consumption calculations as well as immediate monitoring, diagnostics of energy efficient equipment and the monitoring of indoor air quality (temperature, humidity and PM2.5).

The defined landscape of Foshan Lingnan Tiandi was carefully designed by recycle bricks

## Monitoring Our GHG Emissions

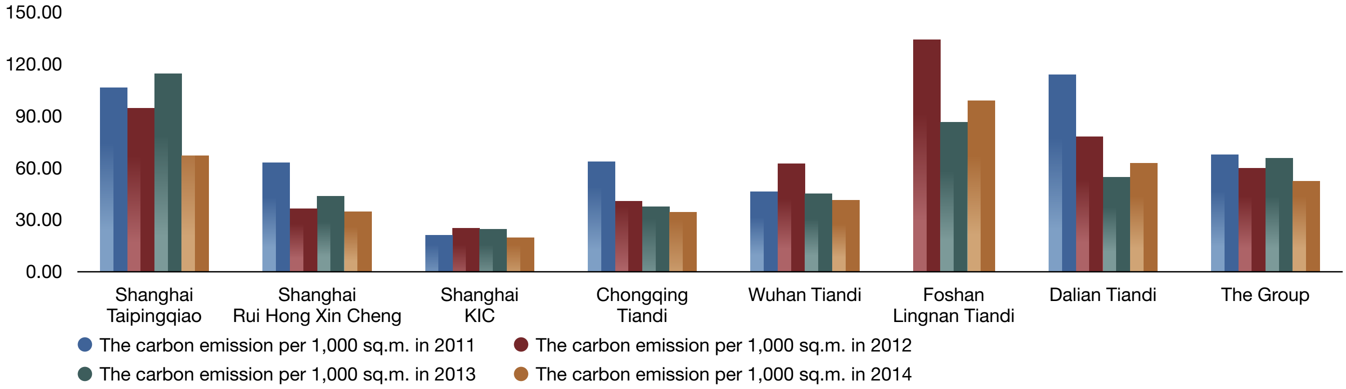
In an effort to reduce or control our greenhouse gas ("GHG") emissions, in 2010 we hired a third-party certification body to quantify the greenhouse gas emissions of our office operations, making us one of the few property companies on the Mainland with a carbon management system.

From 1 January to 31 December 2014, we had a total of 28 owned properties in normal operation. According to the independent audit performed by our carbon audit partner TUV Rheinland, the carbon emission generated by the business activities of the Group's owned properties in normal operation was 87634.08 tons of carbon dioxide in 2014. The Group had not added any property in normal operation in 2014 to our portfolio and Langham Xintiandi Hotel, a property we held in 2013, was sold. Our efforts in conserving energy and reducing emissions resulted in a 14.17% decrease in total carbon emission compared to 2013. (The above data was audited in strict compliance with ISO14064, with a 5% substantive guarantee in carbon emission data.)

Based on carbon emission per 1,000 sq.m., the level of carbon emission generated by the Group's owned properties in normal operation was 89.74 tons/1,000 sq.m. of $CO_2e$ in 2013. In 2014, the figure was 80.35 tons/1,000 sq.m. of $CO_2e$, a decrease of 10.46%.

Compared to 2011, our carbon emission per 1,000 sq.m. in 2014 was reduced by 11.76%, meeting 58.8% of our carbon emission target. The Group will work hard to deliver on our commitment to the public for achieving a 20% reduction target in carbon emissions per unit area in our owned properties in normal operation for the period 2011-2016.

## Comparison of the Carbon Emissions Per 1,000 sq.m. of the Group's Properties (2011-2014)




* No property in Foshan Lingnan Tiandi was under normal operations in 2011

Following improvements in facilities and operations in 2014, most projects achieved good emission performance this year.

Among the 28 projects, 19 projects saw a 4%-45% drop in carbon emission per unit area compared to 2013. Carbon emissions from the clubhouse of The Regency at Foshan Lingnan Tiandi were 26% lower, while carbon emissions from Dalian Tiandi Lot E29 and the clubhouse of Rui Hong Xin Cheng Phase 3 went down 30% and 44% respectively.

Since the Group began to carry out carbon audits in 2011, 16 projects have been audited for four consecutive years, among which 15 saw reduction in carbon emission per unit area between 5%-30% compared to 2011. This is the result of the Group's efforts in achieving sustainable development.

With the founding of the Group's subsidiary China Xintiandi, all our offices in 2014 had incorporated the carbon emission generated by China Xintiandi's work activities. With the implementation of the green office concept to control emission growth to below 1.8% in all our offices, an expansion of work activities has not contributed to the Group's overall carbon emissions.

After accumulating three years of GHG emissions data, we became one of the first companies to reveal our carbon footprints on the website Carbon Footprint Repository for Listed Companies in Hong Kong of the Hong Kong Environment Bureau and Hong Kong Environmental Protection Department. By disclosing our carbon footprint, we are motivated to work harder to reach our carbon reduction goals and contribute towards the global effort to conserve energy and reduce emissions.

We are also collecting and analysing energy consumption data from our actual operations. Based on analyses of the buildings' energy consumption, we are able to control energy consumption in real time, monitor energy consumption at key facilities, and identify abnormalities in energy consumption so that we can correct them.

Currently, we are working with Beijing Persagy Energy Saving Company Ltd. to build an energy consumption management system for the Group. Shui On Plaza and Corporate Avenue at Shanghai Taipingqiao have joined this system, which will manage energy consumption at both properties in real time. Already under construction are the energy monitoring systems at Lots D17 and D19 in THE HUB, Lot 5-3/6-1 in KIC, Lots 126 and 127 in Shanghai Taipingqiao, and Lot 3 in Rui Hong Xin Cheng. In the planning stage for the same system are Lot 10 in Rui Hong Xin Cheng, Lot A123 in Wuhan Tiandi and Lot A in Foshan Lingnan Tiandi.

# CORPORATE SOCIAL RESPONSIBILITIES

## Teamwork in Sustainability

We believe that sustainable development requires the participation of everyone in society. To raise public awareness of environmental protection and promote the concept of sustainable development, we share our experiences with industry and the public, and sponsor and support various green activities.

In October, we held the Green Life of Knowledge Community – 3rd Session Shui On Land Sustainable Development Forum at KIC. At the event were experts from China and overseas who talked about the latest developments in sustainable development within knowledge communities in China and overseas. Progress made at various eco-cities and green communities were also shared. This was the first time that the forum had organised an open and interactive platform for participation by members of the community.

In March, KIC opened a green farm to encourage involvement in green farming among social enterprises, high schools, individuals and groups. Many enterprises and high schools in the community responded enthusiastically, contributing their own efforts to make improvements to the environment.

In May, KIC and Archina organised a Talk with the Master session under the topic Office Building: Green Design Thinking. Chinese and foreign architectural firms with extensive experience in office architectural design were invited to share their green concepts and outstanding portfolios with designers. In June, the 2nd Dalian Tiandi Cup Thunder Bicycle Racing Championship of the Northeast League was held at the Dalian Tiandi Outdoor Bicycle Sports Base in Huang Ni Chuan Plate. The three-month competition, divided into a mixed-race, timed-race, cross-country race and the finals, attracted around 500 cyclists from China and overseas.

In July, Chongqing Tiandi launched an urban farm, which has become popular with residents. The urban farm also started several science-based, fun vegetable growing projects involving fish and vegetable symbiosis and mushroom planting. In September, Chongqing Tiandi took part in a environmental protection activity, Chinese Environmental Protection in the New Century, which was covered in the media and attended by representatives of the Yuzhong District government. In November, KIC invited ECO-NOMY magazine to organise the National Green Competitiveness Forum 2014 and Green Innovation Exhibition on the future of China's green economy.

Within our own organisation, we believe that sustainable development requires the joint efforts of the entire management and staff. Our advocacy of green offices has meant that the head office and many project offices have received LEED-Commercial Interiors (CI) Certification. On a continuing basis, we also organise interesting green office activities such as bartering events, tree planting and DIY baking. All of us recognise the importance of saving water and electricity, with the concept of environmental protection and a healthy lifestyle firmly internalised within every member of staff.

To strengthen our employees' professional knowledge of sustainable development, we organise training courses and share videos on sustainable development with all projects. These courses cover the latest green building assessment standards, measurement systems for energy sharing, and the application of sustainable development strategies in green buildings. The Electrical and Mechanical Committee has also set up courses on VAV and VRV Systems introducing colleagues to the latest technologies.


The Group has held Sustainable Development Forum for three years so as to provide a communication platform to promote the long-term development of the society

## Sustainable Development Initiatives

| Group | Achieve/Target-Green Building Certification | Features |
|---|---|---|
| 1. Shui On Land Ltd. HQ – 26/F, Shui On Plaza | Achieved LEED-Commercial Interiors (CI) Certification Silver level | $CO_2$ sensors to increase indoor air quality; daylight sensors; addition of task lights; water conserving sanitary fixtures. |
| 2. Shui On Land Ltd. HQ – 25/F, Shui On Plaza | Achieved LEED- Commercial Interiors (CI) Certification Silver level | |
| 3. KIC Project Office – KIC Plaza Building 10 | Achieved LEED- Commercial Interiors (CI) Certification Gold level | Lighting power and lighting controls; double Low-E glazing windows with thermal break; water saving sanitary fittings; HVAC zoning controls; low emitting materials; materials reuse; thermal comfort design; long-term commitment to energy saving. |
| 4. Chongqing Project Office – Lot B12/01 | Target to achieve LEED-Commercial Interiors (CI) Certification Gold level | BMS intelligent management system; demand control ventilation; water saving sanitary fittings; thermal comfort design. |

| Projects – Master Planning Stage | Achieve/Target-Green Building Certification | Features |
|---|---|---|
| 1. Wuhan Tiandi | Achieved LEED-Neighbourhood Development (ND) Pilot Version Stage 2 Gold level (Pre-certification) | Energy, water and waste savings by mixing land uses, connecting to public transit systems, utilising existing cultural and architectural characteristics, building at appropriate densities and orienting the development to maximise solar and wind access; district-wide infrastructure, including centralised heating and cooling, water source heat pumps, rainwater collection and recycling, and comprehensive green roof systems. |
| 2. Chongqing Tiandi | Achieved LEED-Neighbourhood Development (ND) Pilot Version Stage 2 Gold level (Pre-certification) | |
| 3. Dalian Tiandi | Registered for LEED-Neighbourhood Development (ND) | Encourage use of public transit systems and appropriate development densities to preserve the unique natural environment; orient buildings to maximise natural wind ventilation to mitigate temperature extremes; use of solar and wind energy for solar hot water systems and wind turbines, non-potable rainwater system, grey water recycling and green roof; carbon assessment for master plan, encourage low carbon life style. |
| 4. Foshan Lingnan Tiandi | Achieved LEED-Neighbourhood Development (ND) 2009 Version Stage 2 Gold level (Pre-certification) | City core site selection with high existing development density and small pedestrian-friendly blocks; preservation and adaptive reuse of 22 heritage architecture sites and numerous historic buildings; integrated public transport systems; improved indoor air quality through building orientation and wind harvesting; high performance building fabric; reuse and recycling of project construction materials; use of solar energy and daylight, centralised air conditioning; green roof and green wall, rainwater recycling; carbon assessment for master plan, encourage low carbon life style. |
| 5. Shanghai Rui Hong Xin Cheng | Achieved LEED-Neighbourhood Development (ND) 2009 Version Stage 2 Gold level (Pre-certification) | Located in a dense urban area; extending the street scale and the context of the original community, with a reasonable street scale and a compact development, to save scarce land resources of downtown and improve the added value of the land; mixed develop land uses, creating a distinctive and multi-function integrated community. Encouraging alternative trip model by transit vehicle, walkable street and pedestrian system, all integrated into the road design and transport system. Connecting public centres and the urban public transportation system through the pedestrian system, to create an accessible and convenient environment, and reducing the transportation carbon emissions. Adopt enhanced exterior wall thermal insulation, energy-efficient municipal infrastructure and lighting equipment, at least Level II energy efficient air conditioning and water heat equipment, to maximise reduction of energy consumption. Adopt grey water reuse, high-efficiency irrigation and water efficient plumbing fixtures to save and optimise the utilisation of water resources. Adopt green roof, exterior landscape and open space optimisation to improve the both indoor and outdoor environments and air quality, and minimise the heat island effect. Encourage waste separation and adopt waste recycling strategy to minimise the environmental impact of waste disposal. Use a carbon footprint assessment to assess and encourage low carbon development. |
| 6. Shanghai Taipingqiao | Achieved LEED-Neighbourhood Development (ND) 2009 Version Stage 2 Gold level (Pre-certification) | Strive to achieve the Total Community, Mixed-use Development concept, providing a full range of modern facilities for residential, office, retail, entertainment and leisure; creating a strong and dynamic community that encourages walking, requiring a minimum of 50% of dwelling units to be within 800m walking distance of at least 10 of different use types; preserving the historical and cultural heritage of the area, such as Shi Ku Men; promoting the city's unique identity but also a modern lifestyle and facilities ; incorporating green technologies through the development of water saving landscape irrigation, water saving sanitary fittings etc. |
| 7. Shanghai KIC | Registered for LEED-Neighbourhood Development (ND) 2009 Version | Provide live-work play-learn knowledge and innovation community; mixed use development; small blocks and fine grained streets; Wai-style layout; pedestrian friendly, convenient public transportation close to subway stations, various bus lines; many outdoor and indoor event spaces, surrounded by sports and leisure facilities; provide open, green spaces to local residents; protect historical architecture to become a dynamic health-oriented centre. |

# CORPORATE SOCIAL RESPONSIBILITIES

| Projects – Development Stage | Achieve/Target-Green Building Certification | Features |
|---|---|---|
| 1. Wuhan Tiandi Lot A4, Wuhan (Entertainment & Retail) | Achieved LEED-Core & Shell (CS) Certification Gold level | Outdoor radiant cooling/heating; outdoor spot cooling/heating; rain water collection & recycling; green roof; double Low-E coated window glazing; recycling and local material utilisation; natural ventilation; low-flow plumbing fixtures and water saving sanitary fittings. |
| 2. Wuhan Tiandi Lot A5, Wuhan (Office) | Achieved LEED-Core & Shell (CS) Certification Gold level | Increased green ratio; high performance glass curtain wall; low-flow plumbing fixtures and water saving fittings; low-emitting materials/finishes; high performance HVAC system. |
| 3. Wuhan Tiandi Lots A1/2/3, Wuhan (Office & Hotel & Retail) | Achieved BREEAM Pre-certification "Very Good" level | Water leakage detection, food composting, energy wheel, $CO_2$ sensor control; day-lighting sensor for atrium, double Low-E coated window glazing, occupancy sensor in back of house area, recycling and local material utilisation. |
| 4. Wuhan Tiandi Lot A1, Wuhan (Office & Hotel) | Registered for LEED-Core & Shell(CS) Certification | Water leakage detection, food composting, energy wheel, $CO_2$ sensor control; day-lighting sensor for atrium, double Low-E coated window glazing, occupancy sensor in back of house area, recycling and local material utilisation. |
| 5. Wuhan Tiandi Lot B9, Wuhan (Residential) | Achieved Chinese Green Building Design Label 2 Star rating | Rainwater collection and recycling; water saving sanitary fittings; water saving landscape irrigation system; natural ventilation; underground car park; roof garden and water features; permeable paving material. |
| 6. Wuhan Tiandi Lot B11, Wuhan (Residential) | Achieved Chinese Green Building Design Label 2 Star rating | Rainwater collection and recycling; water saving sanitary fittings; water saving landscape irrigation system; natural ventilation; underground car park; roof garden and water features; permeable paving material. |
| 7. Wuhan Tiandi Lot B20 Club House, Wuhan (Residential) | Achieved Chinese Green Building Design Label 3 Star rating | Rainwater collection and recycling; water saving sanitary fittings; water saving landscape irrigation system; natural ventilation; underground car park; roof garden and water features; permeable paving material. |
| 8. Wuhan Tiandi Lots B13/B17, Wuhan (Residential) | Achieved Chinese Green Building Design Label 2 Star rating | Rainwater collection and recycling; high performance envelope; underground car park; high performance lighting with low LPD; roof garden and water feature; water saving landscape irrigation; natural ventilation; recycling material utilisation; high efficiency HVAC system; double Low-E coated window glazing; recycling and local material utilisation; water saving sanitary fittings. |
| 9. Wuhan Tiandi Lot B1-5, Wuhan (Commercial) | Registered for LEED-Core & Shell(CS) Certification | Roof garden; natural ventilation; CO sensor at parking areas; variable frequency water pump; water saving sanitary fittings; rainwater collection and recycling; recycling material utilisation; high efficiency HVAC system; installation of MERV 13 air purifier. |
| 10. Chongqing Tiandi Lot B3/01, Chongqing (Entertainment & Retail) | Achieved LEED-Core & Shell (CS) Certification Gold level | Outdoor radiant cooling; water source heat pump; rainwater collection & recycling; double Low-E coated window glazing; recycling and local material utilisation; natural ventilation; low-flow plumbing fixtures and water saving sanitary fittings. |
| 11. Chongqing Tiandi Lot B-11, Chongqing (Office; Hotel & Retail) | Achieved LEED-Core & Shell (CS) Pre-certification Gold level | High performance glass curtain wall; high efficiency HVAC system with variable primary flow system; $CO_2$ sensors; daylight control; occupancy sensors; heat recovery; high performance lighting with low LPD; 40% reduction in potable water use. |
| 12. Chongqing Tiandi Lot B12-1/02, Chongqing (Office) | Achieved LEED-Core & Shell (CS) Certification Gold level | High efficiency chillers and boilers; high efficiency pumps and fans; high performance envelope; water saving sanitary fittings; native plant species and no irrigation; rainwater collection and recycling; recyclable storage; recycling and local material utilisation; green roof; occupancy sensors; daylight sensors; low emitting material. |
| 13. Chongqing Tiandi Lot B12-3/02, Chongqing (Retail) | Achieved LEED-Core & Shell (CS) Certification Gold level | High efficiency chillers and boilers; high efficiency pumps and fans; high performance envelope; water saving sanitary fittings; native plant species and no irrigation; rainwater collection and recycling; recyclable storage; recycling and local material utilisation; green roof; occupancy sensors; daylight sensors; low emitting material. |
| 14. Chongqing Tiandi Lot B12-4/02, Chongqing (Retail) | Achieved LEED-Core & Shell (CS) Certification Gold level | High efficiency chillers and boilers; high efficiency pumps and fans; high performance envelope; water saving sanitary fittings; native plant species and no irrigation; rainwater collection and recycling; recyclable storage; recycling and local material utilisation; green roof; occupancy sensors; daylight sensors; low emitting material. |
| 15. Chongqing Tiandi Lot B13, Chongqing (Office & Retail) | Target to achieve LEED-Core & Shell (CS) Pre-certification Gold level | Rainwater collection and recycling; water saving fixtures; green roof; native plant species and no irrigation; recyclable storage; high performance envelope; high efficiency chillers and boilers; occupancy sensors; daylight sensors; high efficiency pumps and fans; low emitting material. |

| Projects – Development Stage | Achieve/Target-Green Building Certification | Features |
|---|---|---|
| 16. Chongqing Tiandi Lot B16-02, Chongqing (Residential) | Target to achieve Chinese Green Building Design Label 2 Star rating | Rainwater collection and recycling; high performance envelope; underground car park; high performance lighting with low LPD; roof garden and water feature; water saving landscape irrigation; natural ventilation; recycling material utilisation; high efficiency HVAC system; double Low-E coated window glazing; recycling and local material utilisation; water saving sanitary fittings. |
| 17. Shanghai Taipingqiao Lot 126, Shanghai (Office & Retail) | Achieved LEED-Core & Shell (CS) Pre-certification Gold level and Chinese Green Building Design Label 3 Star rating. This is the first high-rise building to be qualified by using Green High-rise Building Evaluation Technical Details | High efficiency HVAC system; improved indoor air quality with $CO_2$ sensor; low-flow plumbing fixtures and water saving sanitary fittings; high performance curtain wall with shading devices; light pollution reduction; low-emitting material (low VOC) finishes. |
| 18. Shanghai Taipingqiao Lot 127, Shanghai (Office & Retail) | Achieved LEED-Core & Shell (CS) Pre-certification Gold level and Chinese Green Building Design Label 3 Star rating | High efficiency HVAC system; improved indoor air quality with $CO_2$ sensor; low-flow plumbing fixtures and water saving sanitary fittings; high performance curtain wall with shading devices; light pollution reduction; low-emitting material (low VOC) finishes. |
| 19. Shanghai Taipingqiao Lot 116, Shanghai (Residential) | Target to achieve Chinese Green Building Design Label 2 Star rating | Green roof; underground parking and land saving; natural ventilation; high efficiency HVAC system; double Low-E coated glazing. |
| 20. Rui Hong Xin Cheng Lot 4, Shanghai (Residential & Retail) | Achieved Chinese Green Building Design Label 2 Star rating. 15 Nov 2010, awarded allowance from Shanghai Government as an energy-saving housing project; target to achieve Chinese Green Building Label 2 Star rating | External wall insulation, grey water collection & recycling; photovoltaic landscape lighting; water saving landscape irrigation system; double Low-E coated glazing window with thermal break; water saving sanitary fittings. |

“The site open day” at Foshan Lingnan Tiandi let customers gain a very good understanding of our construction technology

# CORPORATE SOCIAL RESPONSIBILITIES

| Projects – Development Stage | Achieve/Target-Green Building Certification | Features |
|---|---|---|
| 21. Rui Hong Xin Cheng Lot 6, Shanghai (Residential) | Achieved Chinese Green Building Design Label 2 Star rating; target to achieve Chinese Green Building Label 2 Star rating | External wall insulation; grey water collection & recycling; photovoltaic for landscape lighting; water saving landscape irrigation system; double Low-E coated window glazing with thermal break and water saving sanitary fittings. |
| 22. Rui Hong Xin Cheng Lot 3, Shanghai (Retail) | Achieved LEED-Core & Shell (CS) Pre-certification Gold level; Targeting to achieve Chinese Green Building Design Label 2 Star rating | Green roof; low water saving sanitary fittings; rainwater collection and recycling; high efficiency HVAC system; LED lighting; curtain wall design with low light pollution. |
| 23. Rui Hong Xin Cheng Lot 10, Shanghai (Retail) | Target to achieve LEED-Core & Shell (CS) Certification Gold level; Target to achieve Chinese Green Building Design Label 2 Star rating | Green roof; low water saving sanitary fittings; rainwater collection and recycling; high efficiency HVAC system; LED lighting; Curtain wall design with low light pollution. |
| 24. Rui Hong Xin Cheng Lot 2, Shanghai (Residential) | Target to achieve Chinese Green Building Design Label 2 Star rating | Green roof; rain water collection & recycling; water saving landscape irrigation system; water saving fittings; solar heated water utilisation. |
| 25. Rui Hong Xin Cheng Lot 9, Shanghai (Residential) | Target to achieve Chinese Green Building Design Label 2 Star rating | Green roof; rain water collection & recycling; water saving landscape irrigation system; water saving fittings; solar heated water utilisation. |
| 26. KIC Plaza Phase II, Shanghai (Office) | Achieved LEED-Core & Shell (CS) Certification Silver level | Double Low-E coated glazing; low-emitting materials; improved indoor air quality with $CO_2$ sensor; low-flow plumbing fixtures and water saving sanitary fittings. |
| 27. KIC Lots 5-5/5-7/5-8, Shanghai (Office) | Achieved LEED Core & Shell (CS) Certification Gold level | Double Low-E coated glazing; low emitting materials; low-flow plumbing fixtures and water saving sanitary fittings; hybrid ventilation; daylight control & occupancy sensor; high performance chillers; heat recovery; rain water recovery. |
| 28. KIC Village Phase II, Lots 7-7/7-9, Shanghai (Office & Residential) | Achieved Chinese Green Building Design Label 2 Star rating | External wall insulation; rainwater collection & recycling; photovoltaic landscape lighting; water saving landscape irrigation system; double Low-E coated glazing window with thermal break; water saving sanitary fittings. |
| 29. KIC Lots 5-3/6-1, Shanghai (Office) | Target to achieve LEED-Core & Shell (CS) Certification Platinum level; Target to achieve Chinese Green Building Design Label 2 Star rating | Rainwater and grey-water collection and recycling; high performance envelope; water saving sanitary fittings; green roof; ice-storage system; high performance VOV system; Low-Emitting materials; environment-friendly refrigerants; green electricals; regional/recycling materials; $CO_2$ sensor; water saving landscape irrigation; double Low-E coated glazing window; solar hot water. |
| 30. KIC Lot C3-05, Shanghai (Office) | Achieved Chinese Green Building Design Label 2 Star rating | Energy saving HVAC; green roof; water saving landscape irrigation; water saving sanitary fittings; solar energy system (hot water and landscape lighting); rainwater and grey-water collection and recycling. |
| 31. KIC Lots C3-04/3-07/3-08, Shanghai (Residential) | Achieved Chinese Green Building Design Label 2 Star rating | Rainwater collection and recycling; energy saving HVAC; double Low-E coated glazing window with thermal break; water saving landscape irrigation; water saving sanitary fittings; solar energy system (hot water and landscape lighting). |
| 32. Dalian Tiandi Aspen and Maple Towers, Site D22, Dalian | Achieved LEED Core & Shell (CS) Certification Silver level | Preferred parking for low-E and fuel-efficient vehicles; parking for bicycle; green roof; reuse rainwater and grey-water; water-saving sanitary; building commissioning; environmental friendly refrigerant; solar hot water; solar lamp; external wall insulation; Low-E tempered glass; fresh air heat recovery; recycling materials; regional materials; Low-E materials. |

| Projects – Development Stage | Achieve/Target-Green Building Certification | Features |
|---|---|---|
| 33. Dalian Tiandi Site D14, Dalian | Achieved LEED Core & Shell (CS) Pre-certification Gold level | Preferred parking for low-E and fuel-efficient vehicles; parking for bicycle; green roof; reuse rainwater and grey-water; water-saving sanitary; building commissioning; environmental friendly refrigerant; solar hot water; solar lamp; external wall insulation; Low-E tempered glass; fresh air heat recovery; recycling materials; regional materials; Low-E materials. |
| 34. Dalian Tiandi Site B07, Dalian | Achieved LEED Core & Shell (CS) Pre-certification Gold level | Innovation transportation system; grey water reuse; water-saving sanitary; high performance lighting system; high performance HVAC system; environment-friendly refrigerants; energy measurement and verification system; double Low-E glazing; high performance envelope system; low-VOC construction material; recycled content/regional construction material; indoor chemical and pollution control; natural ventilation system. |
| 35. Dalian Tiandi Huang Ni Chuan Plate Lot E02 Phase I, Dalian (Residential) | Achieved Chinese Green Building Design Label 2 Star rating | More than 45% landscaped area; full consideration of natural ventilation, lighting; LED lighting; utilisation of different quality and non-traditional water supply system. |
| 36. THE HUB Lot D17, Shanghai (Office & Hotel & Retail) | Achieved LEED-Core & Shell (CS) Pre-certification Gold level; Achieved Chinese Green Building Design Label 3 Star rating (for Office & Retail), and Chinese Green Building Design Label 2 Star rating (for Hotel) | Rainwater/reclaimed water collection and recycling; façade shading system; solar hot water; green roof; water saving landscape irrigation; combined cooling heating and power; natural ventilation; natural daylight; indoor air quality sensors; high efficiency lighting; hot recovery; water saving sanitary fittings; Low-E glazing window; Low-Emitting material; recycling and local material utilisation. |
| 37. THE HUB Lot D19, Shanghai (Office & Retail & Exhibition) | Achieved LEED-Core & Shell (CS) Pre-certification Silver level; achieved Chinese Green Building Design Label 3 Star rating(for Office); and Chinese Green Building Design Label 2 Star rating(for Retail), target to achieve Chinese Green Building Design Label 3 Star for exhibition | Rainwater/reclaimed water collection and recycling; façade shading system; solar hot water; green roof; water saving landscape irrigation; combined cooling heating and power; natural ventilation; natural daylight; indoor air quality sensors; high efficiency lighting; hot recovery; water saving sanitary fittings; Low-E glazing window; Low-Emitting material; recycling and local material utilisation. |
| 38. Foshan Lingnan Tiandi Lot 4, Foshan (Residential & Retail) | Achieved Green Community Certification of Guangdong Province | Double Low-E Glazing; water saving sanitary fittings; LED lighting; day lighting; rain water/grey water collection and recycling; water saving landscape irrigation. |
| 39. Foshan Lingnan Tiandi Lot 5, Foshan (Residential ) | Achieved Green Community Certification of Guangdong Province | Double Low-E Glazing; water saving sanitary fittings; LED lighting; day lighting; rain water/grey water collection and recycling; water saving landscape irrigation. |
| 40. Foshan Lingnan Tiandi Lot 6, Foshan (Residential ) | Achieved Green Community Certification of Guangdong Province | Double Low-E Glazing; water saving sanitary fittings; LED lighting; day lighting; rain water/grey water collection and recycling; water saving landscape irrigation; high efficiently natural lighting; green roof. |
| 41. Foshan Lingnan Tiandi Lot 18, Foshan (Residential ) | Chinese Green Building Design Label 2 Star rating (under public consultation) | CO sensor at parking area; water saving fixtures; high performance envelope; land saving; Low-E glazing, green management for purchasing and construction stage; green management for construction waste; recyclable materials using; high efficiency chiller; rainwater/reclaimed water collection and recycling; façade shading system; water saving landscape irrigation; low-VOC construction materials; environmental friendly refrigerant; permeable paving materials. |
| 42. Foshan Lingnan Tiandi Lot 1, Foshan (Entertainment & Retail) | Achieved LEED-Core & Shell (CS) Certification Gold level | Solar power; maximum utilisation of historical architecture; double Low-E Glazing; water saving fittings; natural lighting; rain water/grey water collection and recycling; water saving landscape irrigation; vertical green/roof green. |

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Vincent H. S. LO Mr. Daniel Y. K. WAN Mr. Philip K. T. WONG

## BOARD OF DIRECTORS

### Executive Directors:

**Mr. Vincent H. S. LO, GBS, JP**
aged 66, has served as our Chairman since the inception of our Company in February 2004. Mr. Lo leads the Board of Directors in deciding on the Company's direction and to set corporate strategies. Mr. Lo was the Chief Executive Officer of our Company from 2004 to 16 March 2011. He is also the Chairman of the Shui On Group, which he founded in 1971, Chairman of SOCAM Development Limited, a Non-executive Director of Great Eagle Holdings Limited and a Non-executive Director of Hang Seng Bank Limited.

Mr. Lo was awarded the Gold Bauhinia Star (GBS) in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region (HKSAR). He was named Businessman of the Year at the Hong Kong Business Awards in 2001, and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2005. He was honoured with "Ernst & Young China Entrepreneur Of The Year 2009" and also, as "Entrepreneur Of The Year 2009" in the China Real Estate Sector. Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector.

In addition to his business capacity, Mr. Lo has been active in community services. He participated in the preparatory works of the establishment of the Hong Kong Special Administrative Region. He currently serves as a Member of The Twelfth National Committee of Chinese People's Political Consultative Conference, the Chairman of The Airport Authority Hong Kong, a non-official member of the Lantau Development Advisory Committee of the Development Bureau of Hong Kong, the President of Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, the Honorary Life President of the Business and Professionals Federation of Hong Kong, a Vice Chairman of the Chamber of International Commerce Shanghai and the Honorary Court Chairman of The Hong Kong University of Science and Technology.

**Mr. Daniel Y. K. WAN**
aged 56, is the Managing Director and Chief Financial Officer of the Company responsible for all aspects relating to our finance and accounting, legal and company secretarial affairs. He is also responsible for the day to day management of the Company together with the other senior executives. Mr. Wan also oversees the Foshan Lingnan Tiandi project in addition to his other duties. Mr. Wan joined the Company in March 2009. He has extensive experience in the financial industry with over 20 years in senior management position. Prior to joining the Company, Mr. Wan was the General Manager and Group Chief Financial Officer of The Bank of East Asia, Ltd.

Mr. Wan holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and a Master of Business Administration degree from The University of Wales. He is a fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and a member of The Institute of Chartered Accountants in England and Wales. Mr. Wan was a member of the Board of Review (Inland Revenue), member of the Small and Medium Enterprises Committee, member of the Travel Industry Compensation Fund Management Board, Chairman of the Investment Committee of the Travel Industry Compensation Fund and part-time member of the Central Policy Unit.

**Mr. Philip K. T. WONG**
aged 58, has been appointed Executive Director and Managing Director of the Company since 10 January 2014. Mr. Wong is currently the Chief Executive Officer of China Xintiandi Limited, a wholly-owned subsidiary of the

Company and a Non-executive director of SOCAM Development Limited ("SOCAM"). He takes full charge of the implementation of the business strategy and is responsible for the management and operation of China Xintiandi. Mr. Wong has over 25 years of experience in property development, investment and construction management. Prior to joining China Xintiandi, he was Managing Director and Chief Executive Officer of SOCAM, also a member of the Shui On Group. Starting his career in the Shui On Group as a graduate engineer, Mr. Wong worked for the Group from 1979 to 1992 to the position of deputy general manager. He rejoined the Group in 2006 to oversee the property division of SOCAM, and successfully led a number of property acquisitions and transactions. Mr. Wong holds a Bachelor of Engineering degree, and is a member of the Dalian Municipal Committee of the Chinese People's Political Consultative Conference and the Hong Kong Institution of Engineers.

## Non-executive Director:

**Mr. Frankie Y. L. WONG**

aged 66, has been appointed as a Non-executive Director of the Company since 17 August 2011. Mr. Wong was a Non-executive Director of SOCAM Development Limited ("SOCAM") from September 2011 to August 2014, Vice Chairman of SOCAM from 1997 to 2004 and from April 2010 to August 2011 and the Chief Executive Officer of SOCAM from July 2004 to March 2010. Mr. Wong joined the Shui On Group in 1981. He was a Director of the Company from May 2004 to May 2006 prior to the listing of the Company on The Stock Exchange of Hong Kong Limited in October 2006. He is also one of the Trustees of the Shui On Provident and Retirement Scheme. Prior to joining the Shui On Group, Mr. Wong had many years of banking experience with several major international banks in Hong Kong. He graduated with a Bachelor of Science degree in Economics and a Master of Arts degree from the London School of Economics and Political Science and The University of Lancaster in the United Kingdom respectively.

Mr. Wong is currently a Non-executive Director of Walcom Group Limited, a company listed on the Alternative Investment Market of the London Stock Exchange plc. and a director of Sichuan Shuangma Cement Co., Ltd. (四川雙馬水泥股份有限公司), a company listed on the Shenzhen Stock Exchange. He was a Non-executive Director of Solomon Systech (International) Limited, which is listed on The Stock Exchange of Hong Kong Limited, from February 2004 to December 2006 and an Independent Non-executive Director of this Company from January 2007 to May 2014.

## Independent Non-executive Directors:

**Sir John R. H. BOND**

aged 73, has served as an Independent Non-executive Director of our Company since September 2006. He was previously the Group Chairman of HSBC Holdings plc and was with HSBC from 1961 until May 2006. He was the Chairman of Vodafone Group Plc until 26 July 2011 and the Chairman of Xstrata plc until May 2013. He is currently a Non-executive Director of A. P. Moller Maersk and an Advisory Director of Northern Trust Corporation. He is also a member of the Mayor of Shanghai's International Business Leaders' Advisory Council, a participant in the China Development Forum, a member of the International Advisory Board to the Tsinghua University School of Economics and Management and a member of the Mitsubishi International Advisory Committee.

**Dr. William K. L. FUNG, SBS, JP**

aged 66, has served as an Independent Non-executive Director of our Company since May 2006. Dr. Fung is the Group Chairman of Li & Fung Limited. He has held key positions in major trade associations. He is past Chairman of the Hong Kong General Chamber of Commerce (1994 – 1996), Hong Kong Exporters' Association (1989 – 1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993 – 2002). He has been awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. Dr. Fung graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred Honorary Doctorate degrees of Business Administration by Hong Kong University of Science and Technology and by the Hong Kong Polytechnic University. Dr. Fung is an Independent Non-executive Director of VTech Holdings Limited, Sun Hung Kai Properties Limited, The Hongkong and Shanghai Hotels, Limited and Singapore Airlines Limited. He is also a Non-executive Director of other listed Fung Group companies including Convenience Retail Asia Limited and Trinity Limited, and Chairman and Non-executive director of Global Brands Group Holding Limited. He is a director of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong.

**Professor Gary C. BIDDLE**

aged 63, has served as an Independent Non-executive Director of our Company since May 2006. Professor Biddle is PCCW Professor and Chair of Accounting at the University of Hong Kong. He also teaches at Columbia Business School, London Business School and Fudan University. Professor Biddle earned his MBA and PhD degrees at University of Chicago. He has previously served as professor at University of Chicago, University of Washington, Hong Kong University of Science and Technology (HKUST), and as visiting professor at premier business schools globally, including China Europe International Business School (China), University of Glasgow (UK), IMD (Switzerland) and Skolkovo (Russia). In academic leadership, Professor Biddle served as Dean of the Faculty of Business and Economics of the University of Hong Kong, Associate Dean and Department Head of the Business School of HKUST, and HKUST Council member, Court member, Senate member and Synergis-Geoffrey Yeh Chair Professor. Professor Biddle is presently a Board and Executive

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Frankie Y. L. WONG** **Sir John R. H. BOND** **Dr. William K. L. FUNG**

Council Member of the American Accounting Association, Advisory Board Member of the American Accounting Association International Accounting Section, Council Member of the Hong Kong Institute of Certified Public Accountants, and member of the Financial Reporting Review Panel of the Financial Reporting Council of the Hong Kong Special Administrative Region. He also is a member of the American Institute of Certified Public Accountants, Contemporary Accounting Research Editorial Board, Hong Kong Business and Professionals Federation, Hong Kong Institute of Directors (Training Committee), Washington Society of Certified Public Accountants, and past President and co-founding Council Member of the Hong Kong Academic Accounting Association. Professor Biddle first visited China in 1984 and has made Hong Kong home since 1996. He is expert in financial accounting, economic forecasting, value creation, corporate governance and performance metrics, including EVA®. Professor Biddle has more career research citations than any other professor of HKU's Faculty of Business and Economics, regardless of field. His research appears in leading academic journals and the financial press including *CNN*, *The Economist* and *Wall Street Journal*. He also has won 22 teaching awards, including two "Professor of Year" honors from the world's top-ranked EMBA program. Professor Biddle proudly serves as Independent Non-Executive Director and Audit Committee Chair of leading listed companies including Kingdee International Software Group Company Limited, and he has chaired the remuneration committee of closely-held Chinachem Group.

**Dr. Roger L. McCARTHY**
aged 66, has served as an Independent Non-executive Director of our Company since May 2006. Dr. McCarthy is currently the principal of McCarthy Engineering. He was formerly Chairman Emeritus of Exponent, Inc. (NASDAQ symbol "EXPO"). He was also Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou) (毅博科技諮詢(杭州)有限公司), a wholly owned subsidiary of Exponent, Inc., which he founded in 2005 to expand Exponent Inc.'s services to the PRC. Dr. McCarthy holds five academic degrees: an Arts Bachelor (A.B.) in Philosophy and a Bachelor of Science in Mechanical Engineering (B.S.E.M.E.) from the University of Michigan; and an S.M. degree in Mechanical Engineering, the professional degree of Mechanical Engineer (Mech.E.), and a Ph.D. in Mechanical Engineering all from the Massachusetts Institute of Technology ("MIT"). He graduated from the University of Michigan Phi Beta Kappa, summa cum laude, the Outstanding Undergraduate in Mechanical Engineering in 1972. He was a National Science Foundation fellow. In 1992, Dr. McCarthy was appointed by the first President Bush to the President's Commission on the National Medal of Science. Dr. McCarthy is one of approximately 165 US Mechanical Engineers elected to the National Academy of Engineering. He currently serves on MIT's Material Science and Engineering Visiting Committee, External Advisory Board of the Mechanical Engineering Department at the University of Michigan, and the Stanford Materials Science & Engineering Advisory Board. Dr. McCarthy delivered the 2008 commencement address for the University of Michigan's College of Engineering. He is currently a member of the National Academy of Engineering/National Research Council/Transportation Research Board (TRB) Evaluation of the Federal Railroad Administration (FRA) Research and Development Program.

**Mr. David J. SHAW**
aged 68, has served as an Independent Non-executive Director of our Company since May 2006. Mr. Shaw acted as the Group Adviser to the Board of HSBC Holdings plc from June 1998 until 30 September 2013; he continues to act on a part-time basis as adviser to HSBC's Group Chairman and Group Chief Executive. Mr. Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 until 1998 and during that period spent approximately 20

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

Mr. David J. SHAW

years working in Hong Kong. Mr. Shaw obtained a law degree from Cambridge University. He is a Non-executive Director of certain bank subsidiaries within the HSBC Group. He is also an Independent Non-executive Director of Kowloon Development Company Limited.

## SENIOR MANAGEMENT

**Mr. TANG Ka Wah**
aged 55, is an Executive Director of Shui On Development Limited ("SOD"). He is responsible for managing the corporate procurement, project execution, costing and quality management functions and the management of the business of Shanghai Shui On Construction Co. Ltd. and Pat Davie (China) Limited in the PRC. He joined the Shui On Group in 1985 and has over 29 years of working experience in the construction industry. He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers. Mr. Tang is a chartered engineer. He holds a Bachelor's degree in Engineering from The University of Hong Kong and a Master's degree in Business Administration – E-Commerce from the West Coast Institute of Management & Technology, West Australia.

**Mr. Charles W. M. CHAN**
aged 59, is an Executive Director of SOD and Project Director – KIC Project. Mr. Chan leads the Shanghai KIC project and works closely with other directors of SOD on the overall management and development of SOD. He is responsible for managing the Knowledge Community Projects effort and Head Office development, planning and design functions. He joined the Shui On Group in January 2004. Prior to joining our Company, Mr. Chan was Deputy Managing Director of Frasers Property (China) Limited, Executive Director of SunCorp Technologies Limited, Vice President of Citibank N.A. and Manager of PricewaterhouseCoopers. He is a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in Australia. Mr. Chan holds a Bachelor's degree in Economics from the University of Sydney.

**Mr. Albert K. B. CHAN**
aged 55, is the Director of Development Planning and Design. Mr. Chan joined Shui On in 1997, and has 30 years of experience in planning, design and real estate development. Mr. Chan manages the conceptualization, site feasibility studies, masterplanning and design of developments for the Company. From 1997 to 2001, he led the planning and design effort for the Shanghai Xintiandi development. He also focuses on mixed-use development, product standardization efforts, and chairs the Sustainable Development Committee of the Company.

Prior to joining Shui On, Mr. Chan worked at the New York City Department of Design and Construction and at Cooper, Robertson + Partners. Mr. Chan holds a Bachelor of Architecture degree from the University of Minnesota, a Master of Architecture degree from the University of California, Berkeley, and a Master of Science degree in Architecture and Urban Design from Columbia University. He also holds an MBA from New York University. He is a Registered Architect of New York State, a member of the American Planning Association, a member of the Urban Land Institute and a member of its Shanghai Management Committee.

**Mr. UY Kim Lun**
aged 51, is Director of Legal Affairs and Company Secretary of our Company. He joined our Company in 2005 and is responsible for the legal, company secretarial and compliance issues of our Company. Mr. Uy holds a Bachelor's degree, with honours, in Laws and a Postgraduate Certificate in Laws from The University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1994. He has over 23 years of post-qualification experience and has worked in the legal departments of several blue-chip companies in Hong Kong before joining our Company.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Timmy T. M. LEUNG**
aged 56, is the Director of Finance of SOD. He is responsible for the finance, accounting and treasury functions of SOD. He joined SOD in 2009 and has over 30 years of working experience in financial institutions. Prior to joining SOD, Mr. Leung was the Chief Marketing Officer of Temasek's wholly owned subsidiary, Fullerton Investment Guarantee Company. Mr. Leung completed his Business studies in East China University of Science and Technology in Shanghai. He is a Committee member for Shanghai Huangpu District Committee of The Chinese People's Political Consultative Conference. Mr. Leung was also a Committee member for Hangzhou Committee of The Chinese People's Political Consultative Conference and Vice President and Head of Finance Group of Hong Kong Chamber of Commerce in China, Shanghai.

**Mr. Bryan K. W. CHAN**
aged 40, is currently the Project Director for THE HUB. He is fully in charge of the Group's mixed used development project adjacent to the Hongqiao Transportation Hub in Hongqiao, Shanghai. Mr. Chan joined the Company in February 2009 as Director of Corporate Development. Prior to joining our Company, Mr. Chan had been an adviser to the Commercial Division of the Company and has extensive experience in both retail and real estate industries. Mr. Chan received a Bachelor of Arts degree in Economics from Northwestern University and a Master's of Accounting degree from the University of Southern California. He is a member of the Urban Land Institute (ULI), International Council of Shopping Centers (ICSC), Shanghai Youth Federation, Shanghai Youth Entrepreneurs Association and Ming Hang District Political Consultative Committee.

**Ms. Jessica Y. WANG**
aged 40, is the Project Director for the Rui Hong Xin Cheng project and an Executive Director of SOD. Ms. Wang is responsible for all aspects of our project in Rui Hong Xin Cheng, Shanghai and also certain functions of SOD including branding, corporate communications and public relations, marketing and sales, product development and land acquisition. She also leads the Dalian Tiandi project in addition to her other duties. Ms. Wang joined the Group in August 1997 and has over 20 years of working experience in the property development industry in PRC. Prior to joining the Group, Ms. Wang was engaged in sales & marketing in one of the well-known real estate company. Ms. Wang received a Bachelor of Engineering degree in Shanghai University of Technology. Ms. Wang has completed the courses of Executive Master of Business Administration of Real Estate (EMBA) jointly organized by Shanghai Fudan University and Hong Kong University and the China New Entrepreneur Development Program in Center for Sustainable Development and Global Competitiveness in Stanford University. Ms. Wang is a member of Hong Kou District Political Consultative Committee, Chairman of Hong Kou District Association of Enterprises with Foreign Investment, Director of Shanghai Federation of Industry & Commerce Real Estate Chamber of Commerce, Vice Chairman of Hong Kou District non-Party Intellectuals Association, Chairman of Hong Kou District Overseas Returned Entrepreneurs Association, Director of Hong Kou District Overseas Chinese Friendship Association and a member of Hong Kou District Youth Entrepreneurs Association.

**Mr. Matthew Q. GUO**
aged 40, is currently an Executive Director of SOD and the Managing Director of Feng Cheng Property Management. Mr. Guo is responsible for the human resources, information technology and administrative functions of SOD and all aspects of the property management of Feng Cheng. He also leads the Chongqing Tiandi project in addition to his other duties. Mr. Guo joined the Group in 1997 and he has over 18 years of working experience in the property development industry in the PRC. Mr. Guo was the Project Director of the Wuhan Tiandi project and was also involved in other projects of the Group including Shanghai Xintiandi, Taipingqiao Park, The Lakeville Phase I and the Yangpu Knowledge and Innovation Community project in Shanghai. Mr. Guo holds a Bachelor's degree in urban planning from the Tongji University.

**Mr. Charles K. M. LEE**
aged 58, is the Director of Human Resources. He joined the Group in May 2012 and is responsible for Human Resources and Shui On Academy of the Company. Mr. Lee has over 26 years of solid experience in human resources management and has worked in various well-known multi-national corporations in different industries. Mr. Lee holds a Master's degree of Science from The University of Leeds and a Bachelor's degree of Science from the Chinese University of Hong Kong. He also holds a MBA from the City Polytechnic of Hong Kong. Mr. Lee is the Executive Council Member of Huang Pu District Association of Labor Relations and member of Hong Kong Institute of Human Resources.

**Mr. David P. K. WONG**
aged 59, is Chief Economist and Director of Development Research. He is responsible for macroeconomic analysis, city screening, property policy research, and leads a team to undertake project feasibility analysis and market trends research. He joined the Group in 1996 and has over 25 years of working experience in the Chinese property markets. Before joining the Group, he was Assistant Chief Economist of Hong Kong Trade Development Council. Mr. Wong holds a Bachelor of Science degree from the University of Minnesota and a Master degree in Economics from the University of California, Berkeley. He is a member of Urban Land Institute and China Strategic Thinkers.

**Mr. Allan B. ZHANG**
aged 36, was responsible for all aspects of our project in Wuhan for the year 2014 and up to 28 February 2015. Since Mr. Zhang's appointment as the Director – Knowledge Community with effect from 1 March 2015, he takes the lead in the operation of the knowledge community business of the Company. Mr. Zhang joined the Group in 2004 and has over 10 years of working experience in the property development industry in PRC. During the year ended 31 December 2014, he was also involved in Rui Hong Xin Cheng project and Wuhan project of the Group. Mr. Zhang holds a Bachelor's and a Master's degree in Engineering from the Shanghai Tongji

University. He is a member of Invited Director of Hubei People's Association for Friendship with Foreign Countries, Vice Chairman of Wuhan Property Development Enterprises Association, Member of Wuhan Youth Federation, Honorary Chairman of Enterprises Association & Entrepreneurs Association of Jiangan District, Vice Chairman of Hong Kong Chamber of Commerce in China-Wuhan and a member of AmCham China-Central China Chapter.

**Miss Stephanie B. Y. LO**
aged 32, is Director – Product Development for China Xintiandi Limited. She takes lead in product conceptualization and product positioning for new commercial projects, driving asset enhancement schemes for existing projects with a view to maximizing the value of the Company's asset portfolio. She is the daughter of Mr. Vincent Lo. Miss Lo joined our Group in August 2012 and has over 11 years of working experience in architecture and interior design as well as other art enterprises. Prior to joining our Group, Miss Lo was working for various architecture and design firms in New York City, amongst which was Studio Sofield, a firm well-known for its capability in retail design. She holds a Bachelor of Arts degree in architecture from Wellesley College in Massachusetts.

**Mr. Thomas Y. W. TAM**
aged 53, is currently the Executive Director – Commercial of China Xintiandi. He is responsible for the leasing, branding and marketing of China Xintiandi's office and retail asset portfolios. He also leads all the commercial and management matters of The HUB in addition to his other duties. He joined our Group in 2012. Prior to joining the Group, he was the founder of TCBL Consulting Limited and served as its Joint Managing Director. He has more than 29 years of experience working for major Hong Kong developers and conglomerates, including Cheung Kong Group, CITIC Pacific, and Hongkong Land. Mr. Tam has become involved in China real estate industry since 1993. He holds a Professional Diploma in Estate Management from the Hong Kong Polytechnic University. He is a Member of Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors.

**Mr. Alan W. K. TIN**
aged 57, is currently the Director – Corporate Services of China Xintiandi responsible for the human resources, administration and IT matters. He joined the Shui On Group in 1989 and has over 26 years of working experience in human resource management. He holds a Master's degree in Business Administration and is a Fellow Member of the Hong Kong Institute of Human Resource Management.

**Mr. George W. K. CHAN**
aged 57, is currently the Executive Director – Finance of China Xintiandi. He is responsible for the overall finance and accounting functions of China Xintiandi. Mr. Chan initially joined the Group in 2007, left in 2009 and rejoined the Group in August 2013. Immediately prior to re-joining, Mr. Chan was the Chief Financial Officer of Tishman Speyer in China. Previously, he had held senior management positions with various enterprises, including listed companies, across different industries including the real estate, children toys and magazine publishing. Mr. Chan is a member of the Institute of Chartered Accountants in England and Wales and holds a Bachelor of Science degree in Economic & Accountancy from The City University, London, United Kingdom and an MBA from The Chinese University of Hong Kong.

**Mr. Mario B. YEUNG**
aged 52, is currently the Director of Corporate Development of China Xintiandi. He is responsible for the disposal and acquisition strategy, development of investment funds and management of strategic partners for existing and new commercial projects. He joined the Group in July 2010 and has over 17 years of working experience in legal and corporate finance with listed conglomerates and investment banks in Hong Kong prior to joining the Group. He holds a Bachelor's degree of Engineering and Postgraduate Certificate in Laws from Newcastle Upon Tyne Polytechnic and The University of Hong Kong respectively. He is a qualified lawyer in Hong Kong and is a member of The Law Society of Hong Kong since 1999.

**Mr. Stefan DEMBINSKI**
aged 53, has been appointed as Chief Operating Officer of China Xintiandi in April 2014. He was seconded from our strategic partner, Brookfield Property Partners. Mr. Dembinski leads the Asset Management function within China Xintiandi and is responsible for the overall enhancement of the operational capabilities of the company and chairs the Operations Committee that oversees the portolio of owned and managed assets. Prior to joining China Xintiandi, Mr. Dembinski held the positions of Senior Vice President of Asset Management and Chief Sustainability Officer for Brookfield Properties globally. Mr. Dembinski has over 22 years' experience in the real estate industry. He holds a Bachelor of Mechanical Engineering degree from McGill University in Montreal and a Masters of Business Administration from McMaster University in Canada.

**Mr. Ricky TANG**
aged 37, was appointed Executive Director – Corporate Finance of China Xintiandi in 2014, seconded from our strategic partner, Brookfield Property Partners. Mr. Tang is responsible for corporate financial reporting, investor relations, management systems, financial planning and analysis and is involved with capital market initiatives of China Xintiandi. Prior to joining China Xintiandi, Mr. Tang held the position of Chief Financial Officer in Brookfield Australia – responsible for managing financial affairs across the Group including commercial properties, construction, residential, services and fund investments. Mr. Tang has over 16 years of experience working in real estate, transaction advisory and public accounting. He is a Canadian Chartered Accountant, CFA charterholder and holds a Masters of Accounting and Bachelor of Arts degree from the University of Waterloo in Canada.

# DIRECTORS' REPORT

## Principal Activities

The Company acts as an investment holding company. The activities of its subsidiaries, associates and jointly controlled entities are set out in notes 47, 17 and 18 respectively to the consolidated financial statements.

## Results and Appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 116.

An interim dividend of HK$0.022 per share was paid to the shareholders on 26 September 2014.

The Board has resolved to recommend the payment of a final dividend of HK$0.04 per share for the year ended 31 December 2014 (2013: HK$0.04), amounting to approximately RMB254 million (2013: RMB255 million) in aggregate. Subject to shareholders' approval of the final dividend at the forthcoming annual general meeting to be held on 27 May 2015 (the "AGM"), the final dividend is expected to be paid on or about 17 June 2015 to shareholders whose names appear on the register of members of the Company on 2 June 2015.

In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 2 June 2015.

## Investment Properties

Details of the movements in the investment properties of the Group during the year are set out in note 13 to the consolidated financial statements.

## Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

## Share Capital

Details of share capital of the Company during the year ended 31 December 2014 are set out in note 28 to the consolidated financial statements.

## Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as of 31 December 2014 were RMB15,868 million (2013: RMB15,589 million).

## Directors

The Directors of the Company during the year ended 31 December 2014 and up to the date of this report were:

| Executive Directors: |
|---|
| Mr. Vincent H. S. LO |
| Mr. Daniel Y. K. WAN |
| Mr. Philip K. T. WONG (appointed on 10 January 2014) |
| Mr. Freddy C. K. LEE (resigned on 10 January 2014) |

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

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

In accordance with the provisions of the Company's Articles of Association, Professor Gary C. BIDDLE, Mr. David. J. SHAW and Mr. Frankie Y. L. WONG will retire by rotation at the AGM and being eligible, will offer themselves for re-election.

## Directors' Interests in Securities

At 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (a) Long position in the shares and the underlying shares of the Company

| | Number of ordinary shares | | | Interests in the underlying shares | | |
|---|---|---|---|---|---|---|
| Name of Directors | Personal interests | Family interests | Other interests | Share options (Note 3) | Total | Approximate percentage of interests to the issued share capital of the Company (Note 4) |
| Mr. Vincent H. S. LO | – | 1,849,521 (Note 1) | 4,583,545,484 (Note 2) | – | 4,585,395,005 | 57.30% |
| Mr. Daniel Y. K. WAN | – | – | – | 7,109,726 | 7,109,726 | 0.08% |
| Sir John R. H. BOND | 250,000 | – | – | – | 250,000 | 0.003% |
| Dr. William K. L. FUNG | 5,511,456 | – | – | – | 5,511,456 | 0.06% |
| Professor Gary C. BIDDLE | 305,381 | – | – | – | 305,381 | 0.0038% |
| Dr. Roger L. McCARTHY | 200,000 | – | – | – | 200,000 | 0.002% |

Notes:

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

(2) These shares were held by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,198,103,792 shares, 1,446,988,826 shares, 183,503,493 shares, 29,847,937 shares, 573,333,333 shares, 708,448,322 shares, 150,000,000 shares and 293,319,781 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI"), Chester International Cayman Limited ("Chester International"), New Rainbow Investments Limited ("NRI"), Lanvic Limited ("Lanvic"), Boswell Limited ("Boswell"), Merchant Treasure Limited ("Merchant Treasure") and Doreturn Limited ("Doreturn") respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure and Doreturn were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 48.38%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

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

(4) These percentages have been compiled based on the total number of issued shares (i.e. 8,001,726,189 shares) at 31 December 2014.

# DIRECTORS' REPORT

### (b) Interests in the debentures of the associated corporation of the Company

| Name of Director | Name of Associated Corporation | Nature of Interests | Amount of Debentures |
|---|---|---|---|
| Sir John R. H. BOND | Shui On Development (Holding) Limited | Personal interests | USD813,000 |
| Dr. William K. L. FUNG | Shui On Development (Holding) Limited | Family interests | USD500,000 |

Save as disclosed above, at 31 December 2014, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Substantial Shareholders' Interests in Securities

At 31 December 2014, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

| Name of shareholders | Capacity/Nature of interests | Total number of ordinary shares and underlying shares | Approximate percentage of interests in the Company (Note 4) |
|---|---|---|---|
| Mrs. Lo | Family and Personal | 4,585,395,005 (Notes 1 & 3) | 57.30% |
| HSBC Trustee | Trustee | 4,583,545,484 (Notes 2 & 3) | 57.28% |
| Bosrich | Trustee | 4,583,545,484 (Notes 2 & 3) | 57.28% |
| SOCL | Interests of Controlled Corporation | 4,583,545,484 (Notes 2 & 3) | 57.28% |

Notes:

(1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,583,545,484 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO as mentioned in note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 4,583,545,484 shares under Part XV of the SFO.

(2) These shares were held by SOCL through its controlled corporations, comprising 1,198,103,792 shares, 1,446,988,826 shares, 183,503,493 shares, 29,847,937 shares, 573,333,333 shares, 708,448,322 shares, 150,000,000 shares and 293,319,781 shares held by SOP, SOI, Chester International, NRI, Lanvic, Boswell, Merchant Treasure and Doreturn respectively whereas SOP, Chester International, Lanvic, Boswell, Merchant Treasure and Doreturn were all wholly-owned subsidiaries of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 48.38%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) All the interests stated above represent long positions.

(4) These percentages have been compiled based on the total number of issued shares (i.e. 8,001,726,189 shares) at 31 December 2014.

Save as disclosed above, at 31 December 2014, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

## Share Options

Particulars of the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 8 June 2007 (the "Adoption Date") are set out in note 39 to the consolidated financial statements.

The following table sets out the movement of the Company's share options during the year under review:

| Name or category of Eligible participants | Date of grant | Exercise price per share HK$ | At 1 January 2014 | Reclassification | Exercised during the period | Lapsed during the period | At 31 December 2014 | Period during which the share options are exercisable |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Mr. Daniel Y. K. WAN | 18 January 2012 | 2.41 | 1,025,617 | – | – | – | 1,025,617 | 28 June 2013 – 17 January 2020 |
| | 3 September 2012 | 4.93 | 6,337,614 | – | – | (253,505) | 6,084,109 | 3 October 2012 – 28 October 2018 |
| Mr. Freddy C. K. LEE (Note) | 20 June 2007 | 6.45 | 3,072,317 | (3,072,317) | – | – | – | 20 June 2009 – 19 June 2016 |
| | 2 June 2008 | 6.77 | 585,995 | (585,995) | – | – | – | 2 June 2010 – 1 June 2017 |
| | 18 January 2012 | 2.41 | 2,026,920 | (2,026,920) | – | – | – | 28 June 2013 – 17 January 2020 |
| | 3 September 2012 | 4.93 | 1,593,453 | (1,593,453) | – | – | – | 3 October 2012 – 28 October 2018 |
| **Sub-total** | | | **14,641,916** | **(7,278,685)** | **–** | **(253,505)** | **7,109,726** | |
| **Consultants** | | | | | | | | |
| Mr. Richard K. N. HO | 20 June 2007 | 6.45 | 651,000 | – | – | (217,000) | 434,000 | 20 June 2007– 19 June 2016 |
| **Sub-total** | | | **651,000** | **–** | **–** | **(217,000)** | **434,000** | |
| Employees (in aggregate) | 20 June 2007 | 6.45 | 56,148,821 | 3,072,317 | – | (16,471,392) | 42,749,746 | 20 June 2009 – 19 June 2016 |
| | 1 August 2007 | 7.54 | 780,144 | – | – | (146,999) | 633,145 | 1 August 2009 – 31 July 2016 |
| | 2 October 2007 | 9.22 | 1,049,032 | – | – | (685,840) | 363,192 | 2 October 2009 – 1 October 2016 |
| | 1 November 2007 | 10.86 | 412,400 | – | – | (99,601) | 312,799 | 1 November 2009 – 31 October 2016 |
| | 3 December 2007 | 9.11 | 106,365 | – | – | (18,212) | 88,153 | 3 December 2009 – 2 December 2016 |
| | 2 January 2008 | 8.27 | 2,732,140 | – | – | (314,818) | 2,417,322 | 2 January 2010 – 1 January 2017 |
| | 1 February 2008 | 7.42 | 881,413 | – | – | (401,811) | 479,602 | 1 February 2010 – 31 January 2017 |
| | 3 March 2008 | 7.08 | 427,852 | – | – | (65,878) | 361,974 | 3 March 2010 – 2 March 2017 |
| | 2 May 2008 | 7.31 | 3,796,477 | – | – | (498,319) | 3,298,158 | 2 May 2010 – 1 May 2017 |
| | 2 June 2008 | 6.77 | 8,478,418 | 585,995 | – | (1,709,869) | 7,354,544 | 2 June 2010 – 1 June 2017 |
| | 2 July 2008 | 5.95 | 399,934 | – | – | (119,820) | 280,114 | 2 July 2010 – 1 July 2017 |
| | 4 September 2009 | 4.52 | 12,694,099 | – | – | (3,376,717) | 9,317,382 | 3 November 2010 – 2 November 2017 |
| | 18 January 2012 | 2.41 | 10,251,150 | 2,026,920 | – | (2,998,800) | 9,279,270 | 28 June 2013 – 17 January 2020 |
| | 3 September 2012 | 4.93 | 10,708,710 | 1,593,453 | – | (2,952,726) | 9,349,437 | 3 October 2012 – 28 October 2018 |
| | 3 September 2012 | 4.93 | 12,370,840 | – | – | – | 12,370,840 | 5 November 2012 – 4 November 2019 |
| **Sub-total** | | | **121,237,795** | **7,278,685** | **–** | **(29,860,802)** | **98,655,678** | |
| **Total** | | | **136,530,711** | **–** | **–** | **(30,331,307)** | **106,199,404** | |

Note:

Mr. Freddy C. K. LEE resigned as an Executive Director of the Company with effect from 10 January 2014 and remained as an employee of the Group until 9 July 2014. Mr. Lee's share options, which were reclassified under the category of "Employees" on 10 January 2014, had lapsed on 10 July 2014.

# DIRECTORS' REPORT

## Summary of the Share Option Scheme are as follows:

### (i) Purpose

The purpose of the Share Option Scheme is to provide a strategic driver to enhance shareholder value of the Company through achieving excellent business results and rapid growth; and to build a high performing organization with loyal staff and other key contributors who are committed to achieving the vision and goals of the Company.

### (ii) Qualifying participants

The Board may offer to grant an option to any employee including employee who has been newly promoted or recruited by the Company and/or its subsidiaries and non-executive director, consultant or other contributor of the Company or its subsidiaries as recommended by the Chairman.

### (iii) Maximum number of shares

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme or 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit exceeded. At 31 December 2014, the number of shares available for issue in respect thereof is 418,009,717 shares.

### (iv) Limit for each participant

The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

### (v) Option period

The period within which the shares must be taken up under an option for an employee shall be for such period as the Board may from time to time determine, and initially as at the Adoption Date, shall be a period ranging from 5 years for the first to the third tranch to 1 year for the seventh tranch of the option unless otherwise adjusted by the Board in its absolute discretion in certain circumstances set out in the Share Option Scheme. In the case of an option granted to a qualifying participant recommended by the Chairman, the option period shall be for such period as the Board may from time to time determine in accordance with the recommendations of the Chairman, which initially at the Adoption Date, shall not be more than 5 years from the date of the relevant grant. In all cases, the option period shall not exceed 10 years from the date of grant of the relevant option.

### (vi) Acceptance and payment on acceptance

An offer shall remain open for acceptance by the qualifying participant concerned for a period of 30 days from the date of the offer (or such longer period as the Board may specify in writing). HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.

### (vii) Subscription price

The subscription price in respect of any particular option shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. The Board will be given the authority to determine the subscription price in its discretion in accordance with the terms of the Share Option Scheme.

### (viii) Remaining life of the Share Option Scheme

The Board shall be entitled at any time within 10 years commencing on 8 June 2007 to make an offer for the grant of an option to any qualifying participants.

## Arrangement to Purchase Shares or Debentures

Other than the share option holdings disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Purchase, Sale or Redemption/Cancellation of Securities

On 14 April 2014, the Company announced the commencement of the USD Notes Exchange Offer, the RMB Notes Exchange Offer and the RMB Notes Tender Offer (as referred to in the announcement of the Company dated 14 April 2014) (collectively the "Offers"). The results of the Offers were announced by the Company on 13 May 2014 and the aggregate consideration paid by the Company to eligible holders pursuant to the Offers was USD844 million on the settlement date of 20 May 2014.

Following the completion of the Offers, (i) USD417.79 million of the USD875 million 9.75% senior notes due 2015 (the "USD Notes") had been cancelled in accordance with the terms of the USD Notes and the aggregate principal amount of the USD Notes remaining outstanding is USD457.21 million; and (ii) USD375.48 million of the RMB3,500 million USD settled 7.625% senior notes (the "RMB Notes") had been cancelled in accordance with the terms of the RMB Notes and the aggregate principal amount of the RMB Notes remaining outstanding is RMB1,190.99 million.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2014.

## Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 72 to 83.

## Connected Transactions

Certain related party transactions as disclosed in note 43 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions of the Company and its subsidiaries during the year under review, certain of which are ongoing.

### (1) Provision of construction services by SOCAM Development Limited ("SOCAM", together with its subsidiaries, the "SOCAM Group") to the Group

In the ordinary course of the Group's business, the Group entered into a number of construction contracts with Shui On Construction Co., Ltd. ("SOCM") and Pat Davie (China) Limited (together, the "SOCAM Contractors"), which were the subsidiaries of SOCAM prior to the Completion of Acquisition (as defined below). The construction contracts include renovation works, building decoration works, mechanical and electrical system materials procurement and building materials procurement. During the period when the SOCAM Contractors were the subsidiaries of SOCAM, the SOCAM Contractors were the associates of a connected person of the Company because Mr. Lo and his associates together held more than 30% equity interest in SOCAM.

On 4 June 2006, the Company entered into a construction services framework agreement with SOCM in respect of the provision of construction services as supplemented by a supplemental agreement dated 15 December 2008 to extend the term for three financial years to 31 December 2011. On 9 December 2011, the Company and Shui On Contractors Limited ("SOC"), a wholly-owned subsidiary of SOCAM at that time, entered into a new framework agreement (the "New Construction Services Framework Agreement") to provide new guidelines and basis of annual caps on the provision of construction services by SOC and its subsidiaries (which form part of the then SOCAM Group and include SOCM as one of its members) to the Group for a further term of three financial years ended on 31 December 2014. SOC and its subsidiaries prior to the Completion of the Acquisition are hereinafter defined as the SOC Group.

Under the New Construction Services Framework Agreement, for contracts with a contract sum of RMB5 million or more, construction contracts were generally put out to tender and contractors selected through a bidding process under which each potential contractor was assessed on its qualifications, reputation for reliability, quality and price. The construction contracts with SOCAM Contractors of over RMB5 million were entered into pursuant to and on the basis of bids tendered. For contracts of less than RMB5 million, the price was agreed with SOCAM Contractors with reference to the prevailing market rates.

The Group announced that the maximum annual fees for the construction services provided by SOC and its subsidiaries to the Group under the New Construction Services Framework Agreement would not exceed RMB1,250 million for the financial year ended 31 December 2014.

# DIRECTORS' REPORT

During the year under review, an amount of RMB469 million was paid by the Group to the SOC Group under the New Construction Services Framework Agreement.

As disclosed in the circular of the Company dated 22 September 2014, the Group acquired SOCAM Group's equity interests in the SOCAM Contractors and their subsidiaries (the "SOCAM Contractors Group") (the "Acquisition"). Following the completion of the Acquisition (the "Completion of the Acquisition"), SOCAM Contractors Group became the subsidiaries of the Company, and the New Construction Services Framework Agreement ceased to be effective.

## (2) Provision of management services by Shui On Development Limited ("Shanghai SOD") to Richcoast Group Limited ("Richcoast") and its subsidiaries (collectively as the "Dalian Group")

On 28 April 2008, Shanghai SOD, a wholly-owned subsidiary of the Company, Max Clear Holdings Limited ("Max Clear"), a wholly-owned subsidiary of SOCAM, Yida Group Company Limited ("Yida") and certain onshore companies of the Dalian Group entered into a management services agreement (the "Management Services Agreement") pursuant to which each of Shanghai SOD, Max Clear and Yida agreed to provide management services to the onshore companies of the Dalian Group for a term of three years from 1 January 2008 to 31 December 2010. On 28 December 2010, Shanghai SOD, Max Clear, Yida and the then onshore companies of the Dalian Group (the "Dalian Onshore Group") entered into a renewed management services agreement to extend the term of the Management Services Agreement for three financial years ended 31 December 2013.

On 29 October 2012, Shanghai SOD, Max Clear, Yida and the Dalian Onshore Group entered into a further renewed management services agreement to, among other things, (a) further extend the term of the Management Services Agreement to 31 December 2014; (b) revise the scope of management services to be provided by Shanghai SOD and Max Clear to the Dalian Onshore Group; and (c) revise the relevant percentage ratios for calculating the annual management services fees payable by the Dalian Onshore Group (i) from 1% to 1.5% as to Shanghai SOD and (ii) from 1.5% to 1% as to Max Clear, in each case of the annual total budgeted construction cost for the Dalian project. The revisions in (b) and (c) above are effective from 29 October 2012.

The companies constituting the Dalian Group are the subsidiaries of the Company for the purposes of the Listing Rules, and Max Clear and Yida are connected persons of the Company by virtue of being the substantial shareholders of Richcoast.

The annual caps for the management services fees paid or payable by the Dalian Group to each of Shanghai SOD, Max Clear and Yida for the financial year ended 31 December 2014 should not exceed RMB38 million, RMB25 million and RMB25 million respectively.

The amounts of RMB14 million, RMB9 million and RMB9 million were paid and/or are payable to Shanghai SOD, Max Clear and Yida respectively for the management services fees during the year under review.

In accordance with the terms of the Management Services Agreement, upon its expiry on 31 December 2014, the final amounts of the management services fees payable to each of Shanghai SOD, Max Clear and Yida shall be ascertained based on the total actual construction cost for the Dalian project for the whole duration of the Management Services Agreement from 1 January 2008 to 31 December 2014. Since the total actual construction cost was less than the total budgeted construction cost for the Dalian project for the said period, Shanghai SOD shall reverse an overprovision of approximately RMB29 million management services fees payable to it by the Dalian Group upon expiry of the Management Services Agreement and, following this adjustment, a total of approximately RMB49 million management services fees received or receivable from the Dalian Group is recorded by Shanghai SOD for its management services provided to the Dalian Group pursuant to the Management Services Agreement.

## (3) Provision of construction services by Yida and its subsidiaries (the "Yida Group") for Dalian Tiandi

On 7 August 2008, Richcoast and Yida entered into a framework construction agreement, pursuant to which the Yida Group may enter into contracts with the Dalian Group to perform site formation and construction works, which include excavation and/or back filling, clearance of the construction site, removal of the construction garbage, setting up a drainage system and construction of the main structures on the land area constituting Dalian Tiandi for a term expiring no later than 31 December 2010. The term of the agreement was subsequently extended to 31 December 2011 by a supplemental agreement dated 17 July 2009 and further extended to 31 December 2012 by a second supplemental agreement dated 26 August 2010. On 23 November 2012, Richcoast and Yida entered into the third supplemental agreement to the framework construction agreement to provide guidelines and basis of annual caps for the provision of construction services by the Yida Group to the Dalian Group for a further term of three financial years ending on 31 December 2015.

Yida, through its wholly-owned subsidiary, is a substantial shareholder of Richcoast, a subsidiary of the Company for the purposes of the Listing Rules. Therefore, the Yida Group is a connected person of the Company under the Listing Rules.

The Group expected that the maximum annual fees for the construction services provided by the Yida Group to the Group for each of the three years ending on 31 December 2015 would not exceed RMB1,000 million.

An amount of RMB485 million was paid and/or is payable by the Dalian Group to the Yida Group for the construction services fees during the year under review.

### (4) Use of aircraft owned by a subsidiary of SOCL

On 4 September 2009, the Company entered into an agreement with Top Dynasty Investment Limited ("Top Dynasty") pursuant to which the Group may use an aircraft owned by Top Dynasty for the purpose of transporting passengers for business of the Group. As Top Dynasty is a subsidiary of SOCL, the transactions contemplated under the agreement constitute continuing connected transactions for the Company under the Listing Rules.

The term of the agreement was extended to 31 December 2013 by a supplemental agreement dated 2 November 2010 and further extended to 31 December 2016 by a second supplemental agreement dated 18 September 2013. The fees payable under the agreement are calculated based on the actual travelling schedules of the passengers.

It was expected that the maximum annual fees payable by the Group to Top Dynasty and its affiliates under the agreement for each of the three financial years ending on 31 December 2016 would not exceed RMB15 million, RMB15.8 million and RMB16.6 million respectively.

An amount of RMB10.5 million was paid and/or is payable by the Group to Top Dynasty and its affiliates for the use of aircraft during the year under review.

### (5) Continuing connected transactions with the Langham Hospitality Group with respect to 88 Xintiandi joint venture

On 22 August 2011, SODH entered into a joint venture arrangement with Langham Hospitality Group Limited and its subsidiaries (the "Langham Hospitality Group") in relation to the 88 Xintiandi project (the "88 Xintiandi Joint Venture") for the purposes of owning and holding the 88 Xintiandi brand and trademarks for use by hotels and branded residences in the PRC as contemplated under the shareholders' deed dated 22 August 2011 and the related agreements.

Pursuant to the arrangements under the 88 Xintiandi Joint Venture, the members of the Langham Hospitality Group might enter into separate services contracts with the Group for the provision of fitting-out, centralised services, marketing and management services, and the granting of licenses to the hotels and branded residences developed and/or owned by the Group or third parties under the 88 Xintiandi brand.

The Langham Hospitality Group is owned by Great Eagle Holdings Limited ("Great Eagle") which is an associate of Mr. Lo for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the hotel related services contracts between the Group and the Langham Hospitality Group for the 88 Xintiandi Joint Venture constituted continuing connected transactions for the Company under the Listing Rules.

An amount of RMB0.8 million was paid by the Group to the Langham Hospitality Group for the services during the year under review.

On 19 November 2014, the parties to the 88 Xintiandi Joint Venture entered into termination agreements to terminate the cooperation and to dissolve the joint venture companies. Following such termination of the 88 Xintiandi Joint Venture, the associated hotel related services contracts between the Langham Hospitality Group and the Group ceased to be effective.

### (6) Continuing connected transactions with Langham Hotels International Limited ("Langham International") and Langham Hotels (Shanghai) Company Limited ("Langham Shanghai") with respect to Langham Xintiandi Hotel

On 1 April 2010, Shanghai Li Xing Hotel Company Limited ("Li Xing") entered into a hotel management agreement with Langham Shanghai and a license agreement with Langham International (collectively "Langham Xintiandi Hotel Related Agreements"). Under the hotel management agreement, Langham Shanghai shall have the exclusive right to manage and operate Langham Xintiandi Hotel for a term of 20 years from the opening of Langham Xintiandi Hotel and renewable by Langham Shanghai for multiple 10-year periods subject to the terms therein. In addition, pursuant to the license agreement, Langham International has agreed to grant to Li Xing a non-exclusive and non-transferable license to use the "Langham" and other marks for the operation of Langham Xintiandi Hotel during the term of the hotel management agreement.

# DIRECTORS' REPORT

Langham Shanghai and Langham International are owned by Great Eagle which is an associate of Mr. Lo for the purposes of the Listing Rules. Since 16 March 2012 when Li Xing became a subsidiary of the Company, the transactions contemplated under the Langham Xintiandi Hotel Related Agreements were continuing connected transactions of the Company under the Listing Rules.

On 28 January 2014, the Company and Great Eagle renewed the annual caps of the Langham Xintiandi Hotel Related Agreements, the details were set out in the announcement of the Company dated 28 January 2014.

An aggregate amount of RMB12.6 million was paid and/or is payable by the Group to Langham Shanghai and Langham International during the year under review.

The Langham Xintiandi Hotel Related Agreements ceased to be in effect upon and after the completion of the MGI Disposal (as defined in the circular of the Company dated 29 September 2014) on 11 December 2014. Further details of the MGI Disposal are set out in item 7 below.

### (7) Disposals of The HUB Hotel and shares in Magic Garden Investments Limited ("Magic Garden")

On 27 August 2014, the Company, through its wholly-owned subsidiaries, entered into a deed and a sale and purchase agreement with Great Eagle and its subsidiaries (the "Great Eagle Group") to sell The HUB Hotel and to dispose the Group's 66.7% shareholding interest in Magic Garden. The HUB Hotel is a hotel project under construction and forms part of our development project known as The HUB which is located next to the Hongqiao Transportation Hub in Shanghai. Magic Garden indirectly and beneficially owns the land use rights and building ownership rights for Langham Xintiandi Hotel which is located next to Shanghai Xintiandi owned by the Group. Details of the transactions were set out in the announcement and the circular of the Company dated 27 August 2014 and 29 September 2014 respectively.

The Great Eagle Group is an associate of Mr. Lo who is a connected person of the Company for the purposes of the Listing Rules. Accordingly, The Hub Hotel Disposal and the MGI Disposal (as defined in the circular of the Company dated 29 September 2014) constituted connected transactions for the Company under the Listing Rules.

### (8) Provision of financial assistance to the Dalian Group

On 5 December 2014, Innovate Zone Group Limited ("Innovate Zone"), a wholly-owned subsidiary of the Company, entered into a financial support agreement (the "Financial Support Agreement") with Richcoast and Many Gain International Limited, a wholly-owned subsidiary of Yida, pursuant to which Innovate Zone and/or its associates shall provide certain financial assistance to the Dalian Group. Details of the Financial Support Agreement were set out in the announcement of the Company dated 5 December 2014.

Richcoast is a connected subsidiary of the Company for the purposes of the Listing Rules. Therefore, the provision of financial assistance by Innovate Zone and/or its associates to the Dalian Group constituted a connected transaction for the Company under the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs of the Company have reviewed the above continuing connected transactions referred to in items (1) to (6) and are of the opinion that the continuing connected transactions as stated in items (1) to (6) above have been

(i) carried out in the usual and ordinary course of business of the Group;

(ii) conducted on normal commercial terms; and

(iii) entered into in accordance with the terms of the respective agreements which are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions referred to in items (1) to (6) disclosed by the Group in the Annual Report in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

## Directors' Service Contracts

No Director proposed for re-election at the AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## Directors' Interests in Contracts of Significance

Save for the related party transactions disclosed in note 43 to the consolidated financial statements, no contract to which the Company, or any of the subsidiaries of the Company was a party, and in which a Director of the Company had, at any time during the year, whether directly or indirectly, an interest, (being, in either case, in the opinion of the Directors, a contract of significance in relation to the Company's business and in which the Director's interest is or was material), subsisted at the end of the year or at any time during the year.

## Directors' Interests in Competing Business

At 31 December 2014, the following Director or his associates is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

| Name of Director | Name of businesses which entity are considered to compete or likely to compete with the businesses of the Group | Description of the businesses of the entity which are considered to compete with the businesses of the Group | Nature of interest of the Director in the entity |
|---|---|---|---|
| Mr. Lo | SOCL | Property investment in the PRC | Director and controlling shareholder |
| Mr. Lo | SOCAM | Property investment in the PRC | Director and controlling shareholder |

There is a deed of non-competition dated 30 May 2006 (the "Deed") and entered into between Mr. Lo, SOCL and the Company pursuant to which Mr. Lo and SOCL have given certain undertakings to the Company, among others, that the Company is to be the flagship company of the Shui On Group (that is, SOCL and its subsidiaries and for the purpose of this section "Directors' Interests in Competing Business", excluding SOCAM and its subsidiaries) for the Shui On Group's property development and investment business in the PRC and concerning the Shui On Group's investment in future property development projects in the PRC. Such information has been disclosed in the Company's prospectus dated 20 September 2006. In respect of the year ended 31 December 2014, the Company has received from each of Mr. Lo and SOCL a confirmation on compliance with the noncompetition undertakings as contemplated under the Deed.

Save as aforesaid, as of the date of this report, none of the Directors of the Company has an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

## Disclosure under Rule 13.21 of the Listing Rules

On 26 January 2011, a written agreement (the "2015 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB Trustee (Hong Kong) Limited ("DB") as trustee of the RMB3,500 million US$ settled 7.625% senior notes due 2015 issued by SODH (the "2015 Notes"), pursuant to which the 2015 Notes were issued. The 2015 Indenture provided that upon the occurrence of a Change of Control (as defined in the 2015 Indenture), SODH will make an offer to repurchase all outstanding 2015 Notes, at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 26 January 2011. Following the completion of the RMB Notes Exchange and Tender Offer (as defined in the announcement of the Company dated 13 May 2014), the aggregate principal amount of the 2015 Notes remained outstanding was RMB1,190.99 million and SODH had fully repaid this outstanding principal amount together with the accrued and unpaid interest upon its maturity on 26 January 2015.

On 20 April 2011, King Concord Limited as borrower, the Company as guarantor and Standard Chartered Bank (Hong Kong) Limited ("SCB"), United Overseas Bank Limited, Bank of China Limited, Macau Branch, The Bank of East Asia, Limited and Tai Fung Bank Limited as lenders, the mandated lead arrangers and SCB as coordinator, agent and security agent entered into a facility agreement in relation to a three-year term loan facility of up to HK$1,550 million (the "King Concord Loan"). Pursuant to the facility agreement, there is a requirement that Mr. Lo beneficially owns at least 35% of the issued share capital of the Company or acts as the Chairman of the Company or maintains control over the Company during the term of the facility agreement. The King Concord Loan was fully repaid during the year under review.

# DIRECTORS' REPORT

On 26 January 2012, a written agreement (the "2015 SODS Indenture") was entered into between the Company and SODH as guarantors, Shui On Development (Singapore) Pte. Ltd. ("Shui On Development (Singapore)") as issuer and DB as trustee of the S$250 million 8% senior notes due 2015 issued by Shui On Development (Singapore) (the "2015 SODS Notes"), pursuant to which the 2015 SODS Notes were issued. The 2015 SODS Indenture provided that upon the occurrence of a Change of Control (as defined in the 2015 SODS Indenture), the Company, SODH or Shui On Development (Singapore) will make an offer to repurchase all outstanding 2015 SODS Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 26 January 2012. Subsequent to the financial year end date, Shui On Development (Singapore) had fully repaid the principal amount of the outstanding 2015 SODS Notes and accrued and unpaid interest upon its maturity on 26 January 2015.

On 16 February 2012 and 29 February 2012 respectively, two written agreements (together, the "2015 SODH Indenture") were entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$475 million 9.75% senior notes due 2015 issued by SODH (the "2015 SODH Notes"), pursuant to which the 2015 SODH Notes were issued. The 2015 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2015 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2015 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 1 March 2012. Please also refer to the paragraph on the Additional 2015 SODH Notes below.

On 20 July 2012, the Company announced that Hollyfield Holdings Limited and Shanghai Rui Hong Xin Cheng Co., Ltd. obtained a three-year term offshore loan facility of up to HK$850 million and a three-year term onshore loan facility of up to RMB1,200 million respectively (collectively as the "RHXC Loans"). Pursuant to the conditions of the RHXC Loans, there is a requirement that Mr. Lo beneficially owns at least 35% of the issued share capital of the Company or acts as the Chairman of the Company or maintains control over the Company during the continuance of the RHXC Loans. Details of the transaction were set out in the announcement of the Company dated 20 July 2012. The RHXC Loans were fully repaid during the year under review.

On 30 July 2012, the Company and SODH entered into a purchase agreement with Deutsche Bank AG, Singapore Branch, Standard Chartered Bank and UBS AG, Hong Kong Branch in connection with the issue of US$400 million 9.75% senior notes due 2015 (the "Additional 2015 SODH Notes"), to be consolidated and form a single class with the 2015 SODH Notes and rank pari passu with the 2015 SODH Notes. The Additional 2015 SODH Notes were issued pursuant to the 2015 SODH Indenture. Details of the transaction were set out in the announcement of the Company dated 7 August 2012. Following the completion of the US$ Notes Exchange Offer (as defined in the announcement of the Company dated 13 May 2014), the aggregate principal amount of the 2015 SODH Notes (as enlarged by the Additional 2015 SODH Notes) that remained outstanding was US$457.21 million and SODH had fully repaid this outstanding principal amount together with the accrued and unpaid interest upon its maturity on 16 February 2015.

On 10 December 2012, a written agreement (the "Trust Deed") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$500 million perpetual capital securities issued by SODH (the "Perpetual Securities"), pursuant to which the Perpetual Securities were issued. The Trust Deed provides that if (a) SODH fails to comply with any of the covenants set out in the terms and conditions of the Perpetual Securities and such breach continues or (b) SODH does not redeem the Perpetual Securities following the occurrence of a change of control (as defined in the terms and conditions of the Perpetual Securities) or fails to make or consummate an offer to purchase, the then-prevailing distribution rate shall be increased by 3% per annum with effect from (and including) the date on which such change of control occurs, provided that the maximum aggregate increase in the distribution rate shall be 3% per annum. Details of the transaction were set out in the announcement of the Company dated 11 December 2012.

On 24 May 2013, the Company announced that Infoshore International Limited and Shanghai Le Fu Properties Co., Ltd. obtained a three-year transferable HK$ and US$ term loan facility of up to HK$1,000 million equivalent (the "Infoshore Loan") and a three-year term loan facility of up to RMB1,500 million (the "Shanghai Le Fu Loan") respectively. Pursuant to the conditions of the Infoshore Loan and the Shanghai Le Fu Loan, there is a requirement that Mr. Lo and his family together beneficially owns at least 35% of the issued share capital of the Company and that Mr. Lo acts as the Chairman of the Company or maintains control over the Company. Details of the transaction were set out in the announcement of the Company dated 24 May 2013.

On 26 February 2014, a written agreement (the "2017 CNH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the RMB2,500 million 6.875% senior notes due 2017 issued by SODH (the "2017 CNH Notes"), pursuant to which the 2017 CNH Notes were issued. The 2017 CNH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2017 CNH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2017 CNH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 27 February 2014.

On 19 May 2014, two written agreements (respectively the "2018 SODH Indenture" and the "2020 SODH Indenture") were entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$637,027,000 8.700% senior notes due 2018 (the "2018 SODH Notes") and US$202,487,000 9.750% senior notes due 2020 (the "2020 SODH Notes") issued by SODH, pursuant to which the 2018 SODH Notes and 2020 SODH Notes were issued. The 2018 SODH Indenture and the 2020 SODH Indenture provide that upon the occurrence of a Change of Control (as defined in the 2018 SODH Indenture and 2020 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2018 SODH Notes and 2020 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 20 May 2014.

On 10 June 2014, a written agreement (the "2019 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$550 million 9.625% senior notes due 2019 issued by SODH (the "2019 SODH Notes"), pursuant to which the 2019 SODH Notes were issued. The 2019 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2019 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2019 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 11 June 2014.

On 7 November 2014, the Group entered into a facility agreement with a syndicate of banks (the "Syndicated Loan Agreement") whereby the Group was granted a two-year term loan facility divided into (i) tranche A in an aggregate amount equals to HK$1,000 million; and (ii) tranche B in an aggregate amount equals to US$121.5 million (the "Syndicated Loan") for the general working capital requirement of the Group. Pursuant to the Syndicated Loan Agreement, there is a requirement that Mr. Lo (i) beneficially owns at least 35% of the issued share capital of the Company and be the single largest shareholder of the Company; (ii) be the Chairman of the Company; and (iii) maintains management control of the Company. Details of the transaction were set out in the announcement of the Company dated 7 November 2014.

On 24 November 2014, a written agreement (the "2017 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$500 million 8.70% senior notes due 2017 issued by SODH (the "2017 SODH Notes"), pursuant to which the 2017 SODH Notes were issued. The 2017 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2017 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2017 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 25 November 2014.

Any breach of the above obligations will cause a default in respect of the 2015 Notes, the 2015 SODS Notes, the 2015 SODH Notes, the Additional 2015 SODH Notes, the Perpetual Securities, the Infoshore Loan, the Shanghai Le Fu Loan, the 2017 CNH Notes, the 2018 SODH Notes, the 2020 SODH Notes, the 2019 SODH Notes, the Syndicated Loan and the 2017 SODH Notes and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB7,657 million at 31 December 2014.

# DIRECTORS' REPORT

## Remuneration Policy

The remuneration policy of the Group to reward its employees is based on individual performance, qualifications and competence displayed.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## Provident and Retirement Fund Schemes

Details of the Group's provident and retirement fund schemes are shown in note 37 to the consolidated financial statements.

## Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Sufficiency Of Public Float

The Company has maintained a sufficient public float during the year ended 31 December 2014, as required under the Listing Rules.

## Charitable Donations

During the year, the Group made charitable donations amounting to RMB6 million (2013: RMB6 million).

## Major Customers and Suppliers

During the year, less than 30% of the Group sales were attributable to the top five customers of the Group. During the ten months ended 31 October 2014 prior to the Completion of Acquisition as defined in item (1) under the heading "Connected Transactions" on page 107, payments to our single largest construction contractor, SOC, accounted for approximately 13% of our total payments for construction services. Our five largest construction contractors accounted for approximately 51% of our total payments for construction services. Except for the construction payments to SOC, none of our Directors, their associates or any shareholders holding more than 5% of the share capital of the Company holds any interest in our five largest construction contractors.

## Auditor

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Vincent H. S. LO**
Chairman

18 March 2015

# INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

## To the Shareholders of Shui On Land Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 116 to 216, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 the Directors, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
Certified Public Accountants
Hong Kong

18 March 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2014

| | Notes | 2014 RMB'million | 2013 RMB'million |
|---|---|---|---|
| Turnover | | | |
| – The Company and its subsidiaries (the "Group") | | 10,249 | 9,828 |
| – Share of associates | | 446 | 261 |
| | | 10,695 | 10,089 |
| Turnover of the Group | 5 | 10,249 | 9,828 |
| Cost of sales | | (6,803) | (6,673) |
| Gross profit | | 3,446 | 3,155 |
| Other income | 6 | 348 | 443 |
| Selling and marketing expenses | | (253) | (328) |
| General and administrative expenses | | (981) | (938) |
| Operating profit | 7 | 2,560 | 2,332 |
| Increase in fair value of investment properties | 13 | 2,978 | 2,912 |
| Other gains and losses | 6 | (26) | 159 |
| Share of losses of associates | | (173) | (178) |
| Finance costs, inclusive of exchange differences | 8 | (921) | (448) |
| Profit before taxation | | 4,418 | 4,777 |
| Taxation | 9 | (1,933) | (2,072) |
| Profit for the year | | 2,485 | 2,705 |
| Attributable to: | | | |
| Shareholders of the Company | | 1,778 | 2,125 |
| Owners of convertible perpetual securities | | 224 | – |
| Owners of perpetual capital securities | | 311 | 314 |
| Other non-controlling shareholders of subsidiaries | | 172 | 266 |
| | | 707 | 580 |
| | | 2,485 | 2,705 |
| Earnings per share | 12 | | |
| – Basic | | RMB0.22 | RMB0.28 |
| – Diluted | | RMB0.22 | RMB0.28 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

| | Notes | 2014 RMB'million | 2013 RMB'million |
|---|---|---|---|
| Profit for the year | | 2,485 | 2,705 |
| **Other comprehensive income (expense)** | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Exchange difference arising on translation of foreign operations | | (3) | (14) |
| Fair value adjustments on interest rate swaps designated as cash flow hedges | 34 | 2 | 14 |
| Fair value adjustments on cross currency swaps designated as cash flow hedges | 34 | (52) | (98) |
| Reclassification from hedge reserve to profit or loss | 34 | 55 | 75 |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Remeasurement of defined benefit obligations | 37 | 6 | (38) |
| Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties, net of tax | | 33 | 31 |
| Other comprehensive income (expense) for the year | | 41 | (30) |
| Total comprehensive income for the year | | 2,526 | 2,675 |
| Total comprehensive income attributable to: | | | |
| Shareholders of the Company | | 1,819 | 2,095 |
| Owners of convertible perpetual securities | | 224 | – |
| Owners of perpetual capital securities | | 311 | 314 |
| Other non-controlling shareholders of subsidiaries | | 172 | 266 |
| | | 707 | 580 |
| | | 2,526 | 2,675 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2014

| | Notes | 2014 RMB'million | 2013 RMB'million |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 13 | 58,162 | 50,273 |
| Property, plant and equipment | 14 | 1,418 | 3,577 |
| Prepaid lease payments | 15 | 131 | 586 |
| Interests in associates | 17 | 913 | 1,086 |
| Interests in joint ventures | 18 | 70 | 25 |
| Loans to associates | 17 | 1,804 | 1,654 |
| Loans to joint ventures | 18 | 1,735 | 675 |
| Accounts receivable and prepayments | 19 | 406 | 171 |
| Amounts due from associates | 17 | 1,242 | – |
| Pledged bank deposits | 20 | 2,300 | 2,747 |
| Deferred tax assets | 36 | 402 | 100 |
| | | 68,583 | 60,894 |
| **Current assets** | | | |
| Properties under development for sale | 16 | 14,684 | 22,711 |
| Properties held for sale | 21 | 4,648 | 1,536 |
| Accounts receivable, deposits and prepayments | 19 | 8,816 | 5,066 |
| Amounts due from associates | 17 | – | 564 |
| Amounts due from related companies | 22 | 659 | 347 |
| Amounts due from non-controlling shareholders of subsidiaries | 23 | 34 | 51 |
| Pledged bank deposits | 20 | 991 | 824 |
| Restricted bank deposits | 20 | 2,471 | 1,231 |
| Bank balances and cash | 20 | 6,668 | 5,378 |
| | | 38,971 | 37,708 |
| Assets classified as held for sale | 24 | 769 | – |
| | | 39,740 | 37,708 |
| **Current liabilities** | | | |
| Accounts payable, deposits received and accrued charges | 25 | 6,926 | 10,869 |
| Amounts due to related companies | 22 | 240 | 411 |
| Amounts due to non-controlling shareholders of subsidiaries | 23 | 10 | 634 |
| Tax liabilities | | 1,242 | 823 |
| Bank and other borrowings – due within one year | 27 | 5,779 | 6,315 |
| Convertible bonds | 30 | 419 | – |
| Senior notes | 31 | 5,275 | – |
| Derivative financial instruments | 34 | 214 | – |
| Liabilities arising from rental guarantee arrangements | 35 | 282 | 177 |
| | | 20,387 | 19,229 |
| **Net current assets** | | 19,353 | 18,479 |
| **Total assets less current liabilities** | | 87,936 | 79,373 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2014

| | Notes | 2014 RMB'million | 2013 RMB'million |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 28 | 145 | 145 |
| Reserves | 29 | 37,666 | 36,010 |
| Equity attributable to shareholders of the Company | | 37,811 | 36,155 |
| Convertible perpetual securities | 32 | 2,898 | – |
| Perpetual capital securities | 33 | 3,051 | 3,094 |
| Other non-controlling shareholders of subsidiaries | | 1,162 | 2,925 |
| | | 7,111 | 6,019 |
| **Total equity** | | 44,922 | 42,174 |
| **Non-current liabilities** | | | |
| Accounts payable and accrued charges | 25 | 72 | – |
| Bank and other borrowings – due after one year | 27 | 22,630 | 18,051 |
| Convertible bonds | 30 | – | 395 |
| Senior notes | 31 | 13,862 | 10,330 |
| Derivative financial instruments | 34 | 89 | 105 |
| Liabilities arising from rental guarantee arrangements | 35 | 249 | – |
| Loans from non-controlling shareholders of subsidiaries | 26 | 70 | 2,605 |
| Deferred tax liabilities | 36 | 6,006 | 5,662 |
| Defined benefit liabilities | 37 | 36 | 51 |
| | | 43,014 | 37,199 |
| **Total equity and non-current liabilities** | | 87,936 | 79,373 |

The consolidated financial statements on pages 116 to 216 were approved and authorised for issue by the Board of Directors on 18 March 2015 and are signed on its behalf by:

**Vincent H. S. LO**
DIRECTOR

**Daniel Y. K. WAN**
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the year ended 31 December 2014

| | Attributable to shareholders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital RMB'million | Share premium RMB'million | Merger reserve RMB'million (note 29(a)) | Special reserve RMB'million (note 29(b)) | Share option reserve RMB'million | Exchange reserve RMB'million |
| At 1 January 2013 | 114 | 15,152 | 122 | (135) | 188 | (32) |
| Profit for the year | – | – | – | – | – | – |
| Exchange difference arising on translation of foreign operations | – | – | – | – | – | (14) |
| Fair value adjustments on interest rate swaps designated as cash flow hedges (note 34) | – | – | – | – | – | – |
| Reclassification from hedge reserve to profit or loss (note 34) | – | – | – | – | – | – |
| Fair value adjustments on cross currency swaps designated as cash flow hedges (note 34) | – | – | – | – | – | – |
| Remeasurement of defined benefit obligations (note 37) | – | – | – | – | – | – |
| Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties | – | – | – | – | – | – |
| Total comprehensive income for the year | – | – | – | – | – | (14) |
| Recognition of equity-settled share-based payment expenses | – | – | – | – | 11 | – |
| Issue of new shares under rights issue | 31 | 2,906 | – | – | – | – |
| Share issue expenses | – | (38) | – | – | – | – |
| Capital injection | – | – | – | – | – | – |
| Acquisition of additional interests in subsidiaries (note 38(b)) | – | – | – | – | – | – |
| Partial disposal of equity interests in subsidiaries (note 38(c)) | – | – | – | – | – | – |
| Dividend paid to a non-controlling shareholder of a subsidiary | – | – | – | – | – | – |
| Total dividends of HK$0.057 per share paid, comprising 2012 final dividend of HK$0.035 per share and 2013 interim dividend of HK$0.022 per share | – | – | – | – | – | – |
| Distribution to owners of perpetual capital securities | – | – | – | – | – | – |
| Disposal of subsidiaries (note 38(g)) | – | – | – | – | – | – |
| Repurchase and redemption of convertible bonds (note 30) | – | – | – | – | – | – |
| Fair value adjustment at the initial recognition in respect of interest free loans advanced from a non-controlling shareholder of a subsidiary | – | – | – | – | – | – |
| At 31 December 2013 | 145 | 18,020 | 122 | (135) | 199 | (46) |
| Profit for the year | – | – | – | – | – | – |
| Exchange difference arising on translation of foreign operations | – | – | – | – | – | (3) |
| Fair value adjustments on interest rate swaps designated as cash flow hedges (note 34) | – | – | – | – | – | – |
| Reclassification from hedge reserve to profit or loss (note 34) | – | – | – | – | – | – |
| Fair value adjustments on cross currency swaps designated as cash flow hedges (note 34) | – | – | – | – | – | – |
| Remeasurement of defined benefit obligations (note 37) | – | – | – | – | – | – |
| Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties under construction or development | – | – | – | – | – | – |
| Deferred tax arising from gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties under construction or development | – | – | – | – | – | – |
| Total comprehensive income for the year | – | – | – | – | – | (3) |
| Recognition of equity-settled share-based payment expenses | – | – | – | – | 6 | – |
| Issue of convertible perpetual securities (note 32) | – | – | – | – | – | – |
| Expenditure incurred on issue of convertible perpetual securities | – | – | – | – | – | – |
| Capital injection | – | – | – | – | – | – |
| Acquisition of subsidiaries (note 38(a)) | – | – | – | – | – | – |
| Acquisition of additional interests in subsidiaries (note 38(c) and 29(c)(viii)) | – | – | – | – | – | – |
| Acquisition of non-controlling interests in certain subsidiaries (note 38(d)) | – | – | – | – | – | – |
| Adjustments to other reserve upon acquisition of non-controlling interests (note 29(c)(v)) | – | – | – | – | – | – |
| Disposal of subsidiaries (note 38(e)) | – | – | – | – | – | – |
| Dividend paid to a non-controlling shareholder of a subsidiary | – | – | – | – | – | – |
| Total dividends of HK$0.062 per share paid, comprising 2013 final dividend of HK$0.04 per share and 2014 interim dividend of HK$0.022 per share | – | – | – | – | – | – |
| Distribution to owners of perpetual capital securities, including consent fee of RMB42 million paid to holders of perpetual capital securities relating to the issue of the convertible perpetual securities | – | – | – | – | – | – |
| Distribution to owners of convertible perpetual securities | – | – | – | – | – | – |
| At 31 December 2014 | 145 | 18,020 | 122 | (135) | 205 | (49) |

| Attributable to shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Convertible bond equity reserve RMB'million | Hedge reserve RMB'million | Other reserves RMB'million (note 29(c)) | Property revaluation reserve RMB'million | Retained earnings RMB'million | Sub-total RMB'million | Convertible perpetual securities RMB'million (note 32) | Perpetual capital securities RMB'million | Other non–controlling shareholders of subsidiaries RMB'million | Sub-total RMB'million | Total RMB'million |
| 605 | (23) | 587 | – | 14,903 | 31,481 | – | 3,093 | 2,694 | 5,787 | 37,268 |
| – | – | – | – | 2,125 | 2,125 | – | 314 | 266 | 580 | 2,705 |
| – | – | – | – | – | (14) | – | – | – | – | (14) |
| – | 14 | – | – | – | 14 | – | – | – | – | 14 |
| – | 75 | – | – | – | 75 | – | – | – | – | 75 |
| – | (98) | – | – | – | (98) | – | – | – | – | (98) |
| – | – | – | – | (38) | (38) | – | – | – | – | (38) |
| – | – | – | 31 | – | 31 | – | – | – | – | 31 |
| – | (9) | – | 31 | 2,087 | 2,095 | – | 314 | 266 | 580 | 2,675 |
| – | – | – | – | – | 11 | – | – | – | – | 11 |
| – | – | – | – | – | 2,937 | – | – | – | – | 2,937 |
| – | – | – | – | – | (38) | – | – | – | – | (38) |
| – | – | – | – | – | – | – | – | 25 | 25 | 25 |
| – | – | (52) | – | – | (52) | – | – | (125) | (125) | (177) |
| – | – | 84 | – | – | 84 | – | – | 9 | 9 | 93 |
| – | – | – | – | – | – | – | – | (18) | (18) | (18) |
| – | – | – | – | (363) | (363) | – | – | – | – | (363) |
| – | – | – | – | – | – | – | (313) | – | (313) | (313) |
| – | – | – | – | – | – | – | – | (21) | (21) | (21) |
| (509) | – | – | – | 509 | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | 95 | 95 | 95 |
| 96 | (32) | 619 | 31 | 17,136 | 36,155 | – | 3,094 | 2,925 | 6,019 | 42,174 |
| – | – | – | – | 1,778 | 1,778 | 224 | 311 | 172 | 707 | 2,485 |
| – | – | – | – | – | (3) | – | – | – | – | (3) |
| – | 2 | – | – | – | 2 | – | – | – | – | 2 |
| – | 55 | – | – | – | 55 | – | – | – | – | 55 |
| – | (52) | – | – | – | (52) | – | – | – | – | (52) |
| – | – | – | – | 6 | 6 | – | – | – | – | 6 |
| – | – | – | 44 | – | 44 | – | – | – | – | 44 |
| – | – | – | (11) | – | (11) | – | – | – | – | (11) |
| – | 5 | – | 33 | 1,784 | 1,819 | 224 | 311 | 172 | 707 | 2,526 |
| – | – | – | – | – | 6 | – | – | – | – | 6 |
| – | – | – | – | – | – | 2,896 | – | – | 2,896 | 2,896 |
| – | – | – | – | – | – | (94) | – | – | (94) | (94) |
| – | – | – | – | – | – | – | – | 50 | 50 | 50 |
| – | – | – | – | – | – | – | – | 18 | 18 | 18 |
| – | – | (84) | – | 2 | (82) | – | – | (71) | (71) | (153) |
| – | – | 120 | – | – | 120 | – | – | (1,657) | (1,657) | (1,537) |
| – | – | 188 | – | – | 188 | – | – | (188) | (188) | – |
| – | – | – | – | – | – | – | – | (51) | (51) | (51) |
| – | – | – | – | – | – | – | – | (36) | (36) | (36) |
| – | – | – | – | (395) | (395) | – | – | – | – | (395) |
| – | – | – | – | – | – | – | (354) | – | (354) | (354) |
| – | – | – | – | – | – | (128) | – | – | (128) | (128) |
| 96 | (27) | 843 | 64 | 18,527 | 37,811 | 2,898 | 3,051 | 1,162 | 7,111 | 44,922 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| **Operating activities** | | |
| Profit before taxation | 4,418 | 4,777 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 161 | 192 |
| Release of prepaid lease payments | – | 2 |
| Net foreign exchange (gain) loss | (73) | 22 |
| Share of losses of associates | 173 | 178 |
| Loss on disposal of property, plant and equipment | 3 | – |
| Gain on disposal of investment properties | – | (51) |
| Finance costs, inclusive of exchange differences | 921 | 448 |
| Interest income | (308) | (229) |
| Increase in fair value of investment properties | (2,978) | (2,912) |
| Equity-settled share-based payment expenses | 6 | 11 |
| Gain on disposal of subsidiaries | (136) | (159) |
| Gain on acquisition of a subsidiary | (15) | |
| Change in fair value of derivative financial instruments | 17 | – |
| Impairment loss on properties held for sale and properties under development for sale | 131 | – |
| Remeasurement of defined benefit liabilities | (15) | – |
| Fair value loss on remeasurement of liabilities under rental guarantee arrangements | 160 | – |
| Operating cash flows before movements in working capital | 2,465 | 2,279 |
| Increase in accounts receivable, deposits and prepayments | (3,813) | (2,529) |
| (Increase) decrease in inventories of properties | (254) | 1,006 |
| Decrease (increase) in restricted bank deposits from property sales | 84 | (1,048) |
| Decrease (increase) in amounts due from related companies | 439 | (137) |
| Decrease in amounts due to related companies | (346) | (213) |
| Decrease in amounts due to associates | – | (11) |
| (Decrease) increase in accounts payable, deposits received and accrued charges | (4,132) | 3,663 |
| Increase in derivative financial instruments | 129 | – |
| Cash (used in) generated from operations | (5,428) | 3,010 |
| Tax paid | (1,393) | (1,184) |
| **Net cash (used in) from operating activities** | (6,821) | 1,826 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | Notes | 2014 RMB'million | 2013 RMB'million |
|---|---|---|---|
| **Investing activities** | | | |
| Interest received | | 197 | 178 |
| Purchase of property, plant and equipment | | (168) | (186) |
| Proceeds from disposal of property, plant and equipment | | – | 2 |
| Additions to investment properties | | (4,302) | (4,450) |
| Proceeds from disposal of investment properties, net of transaction costs | | 2,258 | 444 |
| Advances to associates | | (704) | (80) |
| Cash outflow from acquisition of subsidiaries | 38(a) | (151) | – |
| Net cash outflow from disposal of a subsidiary in share exchange | 38(d) | (303) | – |
| Net cash inflow on disposal of subsidiaries | 38(e),(f),(g) | 575 | 3,178 |
| Withdrawal of pledged bank deposits | | 1,735 | 1,005 |
| Placement of pledged bank deposits | | (1,626) | (2,413) |
| Advances of loans to a joint venture | | – | (675) |
| Investment in a joint venture | | – | (25) |
| Placement of restricted bank deposits | | (100) | – |
| Advance from non-controlling shareholders of subsidiaries | | 6 | – |
| Repayment from non-controlling shareholders of subsidiaries | | 17 | 14 |
| **Net cash used in investing activities** | | (2,566) | (3,008) |
| **Financing activities** | | | |
| Payments made under rental guarantee arrangements | | (136) | – |
| Advance from non-controlling shareholders of subsidiaries | | – | 104 |
| Repayment of loans advanced by non-controlling shareholders of subsidiaries | | – | (102) |
| Capital injected by non-controlling shareholders of subsidiaries | | 50 | 25 |
| Cash outflow from acquisition of additional interests in subsidiaries | 38(b) | – | (177) |
| Proceeds received in respect of partial disposal of equity interests in subsidiaries | 38(c) | – | 39 |
| Cash outflow from acquisition of additional interests in subsidiaries | 38(c) | (373) | – |
| New bank and other borrowings raised | | 14,035 | 12,230 |
| Repayment of bank and other borrowings | | (9,201) | (5,776) |
| Issue of senior notes | 31 | 10,605 | – |
| Expenditure incurred on issue of senior notes | 31 | (534) | – |
| Repayment of senior notes | 31 | (1,350) | (3,000) |
| Issue of convertible perpetual securities | 32 | 2,896 | – |
| Expenditure on issue of convertible perpetual securities | 32 | (94) | – |
| Issue of new shares under rights issue | 28 | – | 2,937 |
| Share issue expenses | 28 | – | (38) |
| Repurchase and redemption of convertible bonds | 30 | – | (2,287) |
| Interest paid | | (3,100) | (2,838) |
| Placement of restricted bank deposits solely for the purpose of repayment of senior notes | 20 | (1,224) | – |
| Payment of dividends | | (395) | (363) |
| Distribution to owners of convertible perpetual securities | | (128) | – |
| Distribution to owners of perpetual capital securities | | (354) | (313) |
| Dividend payment to non-controlling shareholders of subsidiaries | | (36) | (18) |
| **Net cash from financing activities** | | 10,661 | 423 |
| **Net increase (decrease) in cash and cash equivalents** | | 1,274 | (759) |
| **Cash and cash equivalents at the beginning of the year** | | 5,378 | 6,287 |
| Effect of foreign exchange rate changes | | 16 | (150) |
| **Cash and cash equivalents at the end of the year** | | 6,668 | 5,378 |
| **Analysis of the balances of cash and cash equivalents** | | | |
| Bank balances and cash | | 6,668 | 5,378 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 1. General

Shui On Land Limited (the "Company") was incorporated on 12 February 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 4 October 2006. The Directors of the Company consider that its ultimate holding company is Shui On Company Limited ("SOCL"), a private limited liability company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling party is Mr. Vincent H.S. Lo, who is also the Chairman and Executive Director of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 47. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

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

In the current year, the Group has applied the following amendments to IFRSs and an Interpretation, which are effective for the Group's financial year beginning on 1 January 2014.

| | |
|---|---|
| Amendments to IFRS 10, IFRS 12 and IAS 27 | Investment Entities |
| Amendments to IAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to IAS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to IAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| IFRIC 21 | Levies |

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

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

| | |
|---|---|
| IFRS 9 | Financial Instruments[1] |
| IFRS 15 | Revenue from Contracts with Customers[2] |
| Amendments to IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[4] |
| Amendments to IAS 1 | Disclosure Initiative[4] |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[4] |
| Amendments to IAS 16 and IAS 41 | Agriculture: Bearer Plants[4] |
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions[3] |
| Amendments to IAS 27 | Equity Method in Separate Financial Statements[4] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception[4] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2010-2012 Cycle[5] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2011-2013 Cycle[3] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2012-2014 Cycle[4] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 July 2014
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

## 2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (Continued)

### IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described below:

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

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

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

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

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in 2014 which establishes a single model to deal with revenue arising from contracts with customers. When IFRS 15 becomes effective, IFRS 15 will supersede IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations.

IFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract(s)

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract(s)

- Step 5: Recognise revenue when the entity satisfies a performance obligation

With regard to step 5, an entity should recognise revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Specifically, IFRS 15 requires entities to recognise revenue over time when certain conditions are met. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors of the Company will assess the impact on the application of IFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 3. Significant Accounting Policies

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

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies adopted are set out as follows:

### Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

## 3. Significant Accounting Policies (Continued)

### Basis of consolidation (Continued)

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

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

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

### Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

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

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, based on the carrying amount of the net assets attributable to the change in interests, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

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

### Business combinations

Acquisitions of businesses (that are not under common control) are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 3. Significant Accounting Policies (Continued)

### Business combinations (Continued)

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

### Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Cost incurred for investment properties under construction or development comprises development expenditure including professional charges directly attributable to the development and borrowing costs, and these costs are capitalised as part of the carrying amount of the investment properties under construction or development during the development period.

Subsequent to initial recognition, investment properties, including completed investment properties and certain investment properties under construction or development, are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

In circumstances where the fair values of investment properties under construction or development are not reliably determinable, such investment properties under construction or development are measured at cost less impairment, if any, until when their fair values become reliably determinable, which occur upon finalisation of the development plan, at which point in time the land and relocation costs and construction costs attributable to the investment property portion is reliably determinable.

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

Properties under construction or development are transferred from inventories to investment properties when and only when there is evidence that substantiates the change in use. At the date of transfer, any difference between the fair value of the properties and their carrying amount is recognised in profit or loss.

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

## 3. Significant Accounting Policies (Continued)

### Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition and it is highly probable that the sale will be completed within one year from the date when the asset is reclassified as held for sale.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### Property, plant and equipment

Property, plant and equipment, other than hotels under development, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Hotels under development held for owner's operation are stated at cost less subsequent accumulated impairment losses, if any. Cost comprises development expenditure including professional charges directly attributable to the development and borrowing cost capitalised during the development period. No depreciation is provided on the cost of hotels under development until hotels commence operation.

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

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

### Prepaid lease payments

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

### Properties under development for sale

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets. Cost includes the costs of land (including relocation costs), development expenditure incurred and, where appropriate, borrowing costs capitalised during construction period. Net realisable value is determined based on prevailing market conditions.

Properties under development for sales are transferred to properties held for sale upon completion of development activities, which is when the relevant completion certificates are issued by the respective government authorities.

### Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the properties held for sale. Net realisable value is determined based on prevailing market conditions.

### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 3. Significant Accounting Policies (Continued)

### Investments in associates and joint ventures (Continued)

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

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

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

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### Impairment on tangible assets

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

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

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

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

### Financial instruments

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

# 3. Significant Accounting Policies (Continued)

## Financial instruments (Continued)

### Financial assets

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

*Effective interest method*

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

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

*Impairment of loans and receivables*

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

The objective evidence of impairment could include:

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

For certain categories of loans and receivables, such as trade receivables (see note 19), assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

### Financial liabilities and equity instruments

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

*Equity instruments*

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

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

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

Perpetual capital securities and convertible perpetual securities issued by the Group that have the above characteristics are classified as equity instruments.

*Compound financial instruments – Convertible bonds*

The components of the convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments (subject to anti-dilutive adjustments) is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method (see below) until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compound financial instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

*Other financial liabilities*

The Group's other financial liabilities (including accounts payable, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, senior notes, and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Derivative financial instruments and hedging

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

*Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

*Hedge accounting*

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

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

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

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

#### Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if designated as at fair value through profit or loss, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Derecognition

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

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

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

#### Modification of terms of financial liabilities

When the terms of a debt instrument issued by the Group are substantially different (e.g. the issuance of a new debt instrument to the holders in exchange for the existing debt instruments with substantially different terms), such a transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with the difference between the carrying amount of the financial liability extinguished and the fair value of the financial liability recognised in profit or loss. Related transaction costs are recognised in profit or loss when they are incurred.

When an exchange or a change in terms of a financial liability is not accounted for an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over remaining terms of the modified liability.

Both qualitative and quantitative factors are considered in determining whether an exchange or a change in terms of a financial liability is an extinguishment. Specifically, the terms are substantially different and hence the transaction is treated as an extinguishment if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

### Leasing

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

#### The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Contingent rents are recorded as income in the periods in which they are earned.

#### The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### Borrowing costs

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

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

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

### Taxation

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

## 3. Significant Accounting Policies (Continued)

### Taxation (Continued)

#### Current tax

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

#### Deferred tax

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

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

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

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

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

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

#### Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Foreign currencies

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 3. Significant Accounting Policies (Continued)

### Foreign currencies (Continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of “exchange reserve” (attributed to non-controlling interests as appropriate).

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### Equity-settled share-based payment transactions

#### Share options granted to employees (including Directors of the Company)

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, such that the cumulative expenses reflects the revised estimates, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

#### Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

## 3. Significant Accounting Policies (Continued)

### Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

a) service cost (including current service cost);

b) net interest expense or income; and

c) remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item "retirement benefits costs".

The retirement benefit obligation recognised in the consolidated statement of financial position includes the actual deficit or surplus in the Group's defined benefit plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Revenue recognition

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

Revenue from properties developed for sale in the ordinary course of business is recognised upon delivery of properties to the purchasers pursuant to the sales agreements. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from hotel operations is recognised when the relevant services are provided.

Property management fee income and rental related income are recognised in profit or loss when the services are rendered.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

### Critical judgements in applying accounting policies

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

#### Deferred taxation on investment properties

During the year ended 31 December 2013, the Directors of the Company identified a change in the business model for the holding of investment properties of the Group such that certain of the Group's investment properties which were previously concluded that they were held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time were no longer held under such a business model. Therefore, in measuring the Group's deferred taxation on such investment properties, the Directors of the Company have determined that the presumption that the carrying amounts of these investment properties measured using the fair value model were recovered entirely through sales was not rebutted. As a result, the Group has recognised additional deferred tax liabilities of RMB135 million as at 31 December 2013 in respect of the land appreciation tax ("Land Appreciation Tax") on the cumulative revaluation gains of such investment properties as the property holding companies in the People's Republic of China ("PRC") are subject to Land Appreciation Tax and enterprise income tax ("Enterprise Income Tax") in the PRC upon disposal of the properties.

#### Perpetual capital securities

Pursuant to the terms of the Perpetual Capital Securities (as defined in note 33), a subsidiary of the Company, as an issuer of the Perpetual Capital Securities, can at its option redeem the Perpetual Capital Securities and at its discretion defer distributions on the Perpetual Capital Securities. However, the Company and the issuer will not be able to declare or pay any dividends if any distributions on the Perpetual Capital Securities are unpaid or deferred. In the opinion of the Directors of the Company, this restriction does not result in the subsidiary having the obligation to redeem the Perpetual Capital Securities or to pay distributions on the Perpetual Capital Securities. Accordingly, the Perpetual Capital Securities are classified as equity instruments of the subsidiary. As at 31 December 2014, the carrying amount of the Perpetual Capital Securities is RMB3,051 million (2013: RMB3,094 million).

#### Convertible perpetual securities

Pursuant to the terms of the Convertible Perpetual Securities (as defined in note 32), a subsidiary of the Company, as the issuer of the Convertible Perpetual Securities, can at its option redeem the Convertible Perpetual Securities and at its discretion not to pay a distribution to holders of the Convertible Perpetual Securities provided that the subsidiary does not declare or pay in cash or in kind any dividend distribution to any of its junior securities. In the opinion of the Directors of the Company, these terms do not result in the subsidiary having the obligation to redeem the Convertible Perpetual Securities or to pay distributions on the Convertible Perpetual Securities. Accordingly, the Convertible Perpetual Securities are classified as equity instrument of the subsidiary. As at 31 December 2014, the carrying amount of the Convertible Perpetual Securities is RMB2,898 million (2013: nil).

#### Significant influence over Richcoast Group Limited ("Richcoast") and its subsidiaries (the "Richcoast Group")

Richcoast Group are considered as associates of the Group although the Group owns 61.54% equity interest in Richcoast Group. The Group only has significant influence over Richcoast Group by virtue of its contractual right to appoint four out of ten directors to the Board of Directors of Richcoast. Details are set out in note 17.

## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

### Critical judgements in applying accounting policies (Continued)

#### Joint control over Portspin Limited ("Portspin") and its subsidiaries (the "Portspin Group")

Portspin Group are considered as joint ventures of the Group although the Group owns 19.3419% equity interest in Portspin Group. Taking into account that the decisions that relate to the relevant activities of Portspin Group require unanimous consent from both the Group and the other joint venture partner, the Group has joint control over the Portspin Group. Details are set out in note 18.

### Key sources of estimation uncertainty

The following and those disclosed in note 42(b) are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Estimated impairment of inventories

Properties under development for sale and properties held for sale are stated at lower of the cost and net realisable value. The net realisable value is the estimated selling price of the completed units (based on the current prevailing market conditions) less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information and valuation performed by independent professional valuers. The Group has recognised impairment amounting to RMB131 million (2013: nil) during the current year. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the properties under development for sale and properties held for sale in the consolidated statement of profit or loss.

#### Fair value measurements and valuation processes

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

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed in notes 13, 32, 34, 35 and 45(c).

#### Land Appreciation Tax

The Group is subject to Land Appreciation Tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and the Group has not finalised its Land Appreciation Tax calculation and payments with local tax authorities for all land lots in the PRC. Accordingly, significant judgement is required in determining the amount of the Land Appreciation Tax and its related income tax provisions. The Group recognised the Land Appreciation Tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

#### Liabilities arising on rental guarantee arrangements

As disclosed in note 35, the Group disposed of certain properties in the current and prior years. As part of these disposals, the Group agreed to provide the purchasers of these properties with rental guarantees, which are based on the excess of 8% of the consideration received by the Group over the net operating income to be generated by the properties (see details in note 35). In measuring the fair value of the liabilities arising on these rental guarantee arrangements, the Group has prepared budget regarding how much rental income can be generated from these properties. As of 31 December 2014, the Group has recognised liabilities arising on rental guarantee arrangements amounting to RMB531 million (2013: RMB177 million), which, in the opinion of Directors of the Company, is the best estimate of the outstanding amount taking into account the forecasted unit rental and occupancy rate. Where there are significant changes to the estimates, the Group's liabilities would increase or decrease with the corresponding adjustment being made to the profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 5. Turnover and Segmental Information

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

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | The Group RMB'million | Share of associates RMB'million | Total RMB'million | The Group RMB'million | Share of associates RMB'million | Total RMB'million |
| Property development: | | | | | | |
| Property sales | 8,543 | 412 | 8,955 | 8,361 | 230 | 8,591 |
| Property investment: | | | | | | |
| Rental income received from investment properties | 1,163 | 34 | 1,197 | 1,048 | 31 | 1,079 |
| Income from hotel operations | 300 | – | 300 | 289 | – | 289 |
| Property management fee income | 27 | – | 27 | 25 | – | 25 |
| Rental related income | 88 | – | 88 | 78 | – | 78 |
| | 1,578 | 34 | 1,612 | 1,440 | 31 | 1,471 |
| Others | 128 | – | 128 | 27 | – | 27 |
| Total | 10,249 | 446 | 10,695 | 9,828 | 261 | 10,089 |

For management purposes, the Group is organised based on its business activities, which are broadly categorised into property development and property investment.

Principal activities of these two reportable and operating segments are as follows:

Property development – development and sale of properties

Property investment – offices and retail shops letting, property management and hotel operations

Included in the Group's property sales of RMB8,543 million (2013: RMB8,361 million) is revenue arising from sales of residential properties of RMB8,009 million (2013: RMB4,897 million), commercial properties of RMB207 million (2013: RMB3,086 million) and others of RMB327 million (2013: RMB378 million).

## 5. Turnover and Segmental Information (Continued)

For the year ended 31 December 2014

| | Reportable segment | | | | |
|---|---|---|---|---|---|
| | Property development RMB'million | Property investment RMB'million | Total RMB'million | Others RMB'million | Consolidated RMB'million |
| **Segment Revenue** | | | | | |
| Turnover of the Group | 8,543 | 1,578 | 10,121 | 128 | 10,249 |
| Share of turnover of associates | 412 | 34 | 446 | – | 446 |
| Total segment revenue | 8,955 | 1,612 | 10,567 | 128 | 10,695 |
| **Segment Results** | | | | | |
| Segment results of the Group | 2,033 | 3,632 | 5,665 | 32 | 5,697 |
| Interest income | | | | | 308 |
| Share of losses of associates | | | | | (173) |
| Finance costs, inclusive of exchange differences | | | | | (921) |
| Other gains and losses | | | | | (26) |
| Net unallocated expenses | | | | | (467) |
| Profit before taxation | | | | | 4,418 |
| Taxation | | | | | (1,933) |
| Profit for the year | | | | | 2,485 |
| **Other Information** | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | |
| Capital additions of completed investment properties and property, plant and equipment | 28 | 173 | 201 | – | 201 |
| Development costs for investment properties under construction or development | – | 6,035 | 6,035 | – | 6,035 |
| Development costs for properties under development for sale | 7,062 | – | 7,062 | – | 7,062 |
| Depreciation of property, plant and equipment | 59 | 96 | 155 | 6 | 161 |
| Increase in fair value of investment properties | – | 2,978 | 2,978 | – | 2,978 |
| **Financial Position** | | | | | |
| **Assets** | | | | | |
| Segment assets | 28,158 | 60,499 | 88,657 | 229 | 88,886 |
| Interests in associates | | | | | 913 |
| Interests in joint ventures | | | | | 70 |
| Loans to associates | | | | | 1,804 |
| Loans to joint ventures | | | | | 1,735 |
| Amounts due from associates | | | | | 1,242 |
| Amounts due from related companies | | | | | 659 |
| Amounts due from non-controlling shareholders of subsidiaries | | | | | 34 |
| Unallocated corporate assets | | | | | 12,980 |
| Consolidated total assets | | | | | 108,323 |
| **Liabilities** | | | | | |
| Segment liabilities | 5,646 | 1,312 | 6,958 | 420 | 7,378 |
| Unallocated corporate liabilities | | | | | 56,023 |
| Consolidated total liabilities | | | | | 63,401 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 5. Turnover and Segmental Information (Continued)

For the year ended 31 December 2013

| | Reportable segment | | | | |
|---|---|---|---|---|---|
| | Property development RMB'million | Property investment RMB'million | Total RMB'million | Others RMB'million | Consolidated RMB'million |
| **Segment Revenue** | | | | | |
| Turnover of the Group | 8,361 | 1,440 | 9,801 | 27 | 9,828 |
| Share of turnover of associates | 230 | 31 | 261 | – | 261 |
| Total segment revenue | 8,591 | 1,471 | 10,062 | 27 | 10,089 |
| **Segment Results** | | | | | |
| Segment results of the Group | 1,747 | 3,631 | 5,378 | 9 | 5,387 |
| Interest income | | | | | 229 |
| Share of losses of associates | | | | | (178) |
| Finance costs, inclusive of exchange differences | | | | | (448) |
| Other gains and losses | | | | | 159 |
| Net unallocated expenses | | | | | (372) |
| Profit before taxation | | | | | 4,777 |
| Taxation | | | | | (2,072) |
| Profit for the year | | | | | 2,705 |
| **Other Information** | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | |
| Capital additions of completed investment properties and property, plant and equipment | 18 | 194 | 212 | 14 | 226 |
| Development costs for investment properties under construction or development | – | 5,629 | 5,629 | – | 5,629 |
| Development costs for properties under development for sale | 6,337 | – | 6,337 | – | 6,337 |
| Depreciation of property, plant and equipment | 66 | 111 | 177 | 15 | 192 |
| Release of prepaid lease payments charged to profit or loss | – | 2 | 2 | – | 2 |
| Increase in fair value of investment properties | – | 2,912 | 2,912 | – | 2,912 |
| **Financial Position** | | | | | |
| **Assets** | | | | | |
| Segment assets | 29,165 | 54,228 | 83,393 | 5 | 83,398 |
| Interests in associates | | | | | 1,086 |
| Interests in joint ventures | | | | | 25 |
| Loans to associates | | | | | 1,654 |
| Loan to a joint venture | | | | | 675 |
| Amounts due from associates | | | | | 564 |
| Amounts due from related companies | | | | | 347 |
| Amounts due from non-controlling shareholders of subsidiaries | | | | | 51 |
| Unallocated corporate assets | | | | | 10,802 |
| Consolidated total assets | | | | | 98,602 |
| **Liabilities** | | | | | |
| Segment liabilities | 9,721 | 1,167 | 10,888 | 2 | 10,890 |
| Unallocated corporate liabilities | | | | | 45,538 |
| Consolidated total liabilities | | | | | 56,428 |

## 5. Turnover and Segmental Information (Continued)

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

Segment results represent the profit earned by each segment without allocation of central administration costs, Directors' salaries, interest income, share of losses of associates, other gains and losses, and finance costs inclusive of exchange differences. This is the measure reported to the chief operating decision makers who are the Executive Directors of the Company for the purpose of resource allocation and performance assessment.

For the purpose of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than interests in associates, interests in joint ventures, loans to associates, loans to joint ventures, amounts due from associates, amounts due from related companies, amounts due from non-controlling shareholders of subsidiaries, deferred tax assets, pledged bank deposits, restricted bank deposits, bank balances and cash and other unallocated corporate assets; and

– all liabilities are allocated to reportable segments other than amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, tax liabilities, deferred tax liabilities, derivative financial instruments designated as hedging instruments, defined benefit liabilities, bank and other borrowings, convertible bonds, senior notes and other unallocated corporate liabilities.

Over 90% of the Group's turnover and contribution to operating profit is attributable to customers in the PRC. Accordingly, no analysis of geographical segment is presented.

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

During the year ended 31 December 2013, a customer contributed RMB1,680 million to the turnover of the Group in respect of the property development segment. No major customer contributed over 10% of the turnover of the Group during the year ended 31 December 2014.

## 6. Other Income, Other Gains and Losses

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| **Other income** | | |
| Interest income from banks | 120 | 93 |
| Interest income from amounts due from associates (notes 17 and 43) | 29 | 15 |
| Interest income from loans to associates (notes 17 and 43) | 54 | 50 |
| Imputed interest income from loans to associates (notes 17 and 43) | 42 | 51 |
| Interest income from loans to joint ventures (notes 18 and 43) | 63 | 20 |
| Sundry income | 8 | 14 |
| Grants received from local government | 3 | 149 |
| Others | 29 | 51 |
| | 348 | 443 |
| **Other gains and (losses)** | | |
| Remeasurement of liabilities arising from rental guarantee arrangements | (160) | –* |
| Change in fair value of derivative financial instruments (notes 32 and 34) | (17) | – |
| Bargain purchase gain on acquisition of subsidiaries (note 38(a)) | 15 | – |
| Gain on disposal of subsidiaries (note 38(d), (e), (f) and (g)) | 136 | 159 |
| | (26) | 159 |

* Liabilities arising from rental guarantee arrangements entered into in prior year of RMB177 million was taken into account in determining the profit/loss on disposal of properties classified as "properties held for sale" (included in "cost of sales" in the prior year).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 7. Operating Profit

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| Operating profit has been arrived at after charging (crediting): | | |
| Auditor's remuneration | 6 | 5 |
| Depreciation of property, plant and equipment | 161 | 193 |
| Less: Amount capitalised to properties under development for sale | – | (1) |
| | 161 | 192 |
| Release of prepaid lease payments | 3 | 13 |
| Less: Amount capitalised to property, plant and equipment | (3) | (11) |
| | – | 2 |
| Loss on disposal of property, plant and equipment | 3 | – |
| Employee benefits expenses | | |
| Directors' emoluments | | |
| Fees | 2 | 2 |
| Salaries, bonuses and allowances | 26 | 19 |
| Retirement benefits costs | 1 | 1 |
| Share-based payment expenses | 1 | 2 |
| | 30 | 24 |
| Other staff costs | | |
| Salaries, bonuses and allowances | 527 | 463 |
| Retirement benefits costs | 40 | 36 |
| Share-based payment expenses | 5 | 9 |
| | 572 | 508 |
| Total employee benefits expenses | 602 | 532 |
| Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development | (170) | (149) |
| | 432 | 383 |
| Cost of properties sold recognised as an expense | 5,918 | 6,049 |
| Minimum lease payment under operating leases | 30 | 43 |

## 8. Finance Costs, Inclusive of Exchange Differences

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Interest on bank and other borrowings | | |
| – wholly repayable within five years | 1,739 | 1,309 |
| – not wholly repayable within five years | 86 | 117 |
| Interest on loans from non-controlling shareholders of subsidiaries wholly repayable within five years (note 26) | 95 | 141 |
| Imputed interest on loans from non-controlling shareholders of subsidiaries (note 26) | 39 | 41 |
| Interest on amount due to a related company (notes 22 and 43) | – | 1 |
| Interest on convertible bonds (note 30) | 43 | 292 |
| Interest on senior notes (note 31) | | |
| – wholly repayable within five years | 1,357 | 1,162 |
| – not wholly repayable within five years | 78 | – |
| Net interest expense from cross currency swaps designated as cash flow hedges | 23 | 23 |
| Net interest expense from interest rate swaps designated as cash flow hedges | 14 | 17 |
| Total interest costs | 3,474 | 3,103 |
| Less: Amount capitalised to investment properties under construction or development, properties under development for sale and hotels under development | (2,676) | (2,500) |
| Interest expense charged to profit or loss | 798 | 603 |
| Premium for repurchase/exchange of RMB denominated senior notes due in 2015 (note 31) | 58 | – |
| Net exchange loss (gain) on bank borrowings and other financing activities | 34 | (363) |
| Others | 31 | 208 |
| | 921 | 448 |

Borrowing costs capitalised during the year which arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately 8.7% (2013: 8.5%) per annum to expenditure on the qualifying assets.

## 9. Taxation

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| PRC Enterprise Income Tax | | |
| – Current provision | 831 | 459 |
| PRC Withholding Tax | | |
| – Current provision | 148 | – |
| PRC Land Appreciation Tax | | |
| – Provision for the year | 826 | 640 |
| Deferred taxation (note 36) | | |
| – Provision for the year | 128 | 973 |
| | 1,933 | 2,072 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 9. Taxation (Continued)

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

PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% (2013: 25%) on the assessable profits of the companies in the Group during the year.

The PRC Enterprise Income Tax Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, and at rate of 10% for companies incorporated in BVI and Republic of Mauritius ("Mauritius"), which are the beneficial owners of the dividend received. As at 31 December 2014 and 31 December 2013, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

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

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

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| Profit before taxation | 4,418 | 4,777 |
| | | |
| PRC Enterprise Income Tax at 25% (2013: 25%) | 1,104 | 1,194 |
| PRC Land Appreciation Tax | 826 | 640 |
| Deferred tax effect of PRC Land Appreciation Tax | (207) | (160) |
| Deferred tax provided for withholding tax on income derived in the PRC | 140 | 43 |
| Deferred tax provided for PRC Land Appreciation Tax in respect of investment properties | (112) | 135 |
| Tax effect of share of losses of associates | 43 | 45 |
| Tax effect of expenses not deductible for tax purposes | 322 | 338 |
| Tax effect of income not taxable for tax purposes | (194) | (188) |
| Tax effect of tax losses not recognised | 14 | 36 |
| Tax effect of utilisation of tax losses previously not recognised | (3) | (11) |
| Tax charge for the year | 1,933 | 2,072 |

## 10. Directors' Emoluments and Five Highest Paid Employees

The emoluments paid or payable to the Directors of the Company were as follows:

| Name of Director | Notes | Fees RMB'000 | Salaries RMB'000 | Other benefits RMB'000 | Performance related incentive payments RMB'000 | Retirement benefit costs RMB'000 | Share-based payment expenses RMB'000 | 2014 Total RMB'000 | 2013 Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| Mr. Vincent H.S. LO | (a) | – | – | – | – | – | – | – | – |
| Mr. Daniel Y.K. WAN | (a) | – | 4,363 | 4,673 | 3,019 | – | 443 | 12,498 | 10,730 |
| Mr. Philip K.T. WONG | (b) | – | 4,269 | 5,654 | 3,870 | 214 | – | 14,007 | – |
| Mr. Freddy C.K. LEE | (c) | – | 109 | 104 | – | 972 | – | 1,185 | 11,271 |
| Mr. Frankie Y.L. WONG | (d) | 357 | – | – | – | – | – | 357 | 359 |
| Sir John R.H. BOND | (e) | 317 | – | – | – | – | – | 317 | 319 |
| Dr. William K.L. FUNG | (e) | 357 | – | – | – | – | – | 357 | 359 |
| Professor Gary C. BIDDLE | (e) | 475 | – | – | – | – | – | 475 | 479 |
| Dr. Roger L. McCARTHY | (e) | 317 | – | – | – | – | – | 317 | 319 |
| Mr. David J. SHAW | (e) | 238 | – | – | – | – | – | 238 | 240 |
| Total for 2014 | | 2,061 | 8,741 | 10,431 | 6,889 | 1,186 | 443 | 29,751 | 24,076 |
| Total for 2013 | | 2,075 | 8,357 | 8,113 | 2,641 | 1,256 | 1,634 | 24,076 | |

Notes:
(a) Executive Directors
(b) Executive Director appointed on 10 January 2014
(c) Executive Director resigned effective from 10 January 2014
(d) Non-executive Director
(e) Independent Non-executive Directors

Mr. Freddy C.K. Lee was the Chief Executive of the Company before 10 January 2014 and his emoluments disclosed above included those for services rendered by him as the Chief Executive.

Of the five highest paid individuals in the Group, two (2013: two) are Executive Directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2013: three) individuals are as follows:

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Salaries | 7 | 8 |
| Other benefits | 8 | 7 |
| Performance related incentive payments | 2 | 1 |
| Retirement benefit costs | 2 | 1 |
| Share-based payment expenses | 1 | 1 |
| | 20 | 18 |

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

| | 2014 Number of employees | 2013 Number of employees |
|---|---|---|
| Emolument bands | | |
| HK$7,000,001 – HK$7,500,000 | – | 2 |
| HK$7,500,001 – HK$8,000,000 | 2 | 1 |
| HK$9,500,001 – HK$10,000,000 | 1 | – |
| | 3 | 3 |

No emolument was paid to the Directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no Directors waived any emoluments in the years ended 31 December 2014 and 31 December 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 11. Dividends

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| Dividends recognised as distribution during the year: | | |
| Interim dividend paid in respect of 2014 of HK$0.022 per share (2013: Interim dividend paid in respect of 2013 of HK$0.022 per share) | 140 | 140 |
| Final dividend paid in respect of 2013 of HK$0.04 per share (2013: Final dividend paid in respect of 2012 of HK$0.035 per share) | 255 | 223 |
| | 395 | 363 |

A final dividend for the year ended 31 December 2014 of HK$0.04 (equivalent to RMB0.03) per share, amounting to HK$320 million (equivalent to RMB254 million) in aggregate, was proposed by the Directors of the Company on 18 March 2015 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

## 12. Earnings Per Share

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

### Earnings

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the year attributable to shareholders of the Company | 1,778 | 2,125 |

### Number of shares

| | 2014<br>'million | 2013<br>'million |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 8,002 | 7,491 |
| Effect of dilutive potential shares: | | |
| Convertible bonds | 132 | 128 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 8,134 | 7,619 |
| **Basic earnings per share (note (d))** | RMB0.22 | RMB0.28 |
| | HK$0.28 | HK$0.35 |
| **Diluted earnings per share (note (d))** | RMB0.22 | RMB0.28 |
| | HK$0.28 | HK$0.35 |

Notes:

(a) The weighted average number of ordinary shares for the purpose of basic earnings per share for 2013 had been adjusted for the bonus element of the rights issue completed on 20 May 2013.

(b) There were no dilution effects for share options and warrants granted as the exercise prices of these share options and warrants were higher than the average market price for 2014 and 2013.

(c) There were no dilution effects for convertible perpetual securities as the full conversion of convertible perpetual securites into shares of China Xintiandi (details refer to note 32) will not result in a decrease in profit per ordinary share of the Company.

(d) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.262 for 2014 and RMB1.000 to HK$1.253 for 2013, being the average exchange rates that prevailed during the respective years.

## 13. Investment Properties

| | Completed investment properties RMB'million | Investment properties under construction or development at fair value RMB'million | Investment properties under construction or development at cost RMB'million | Total RMB'million |
|---|---|---|---|---|
| At 1 January 2013 | 22,089 | 14,746 | 9,789 | 46,624 |
| Additions | 29 | 3,764 | 1,865 | 5,658 |
| Disposal of subsidiaries (note 38(g)) | (4,300) | – | – | (4,300) |
| Eliminated upon disposal | (393) | – | – | (393) |
| Transfers | – | 654 | (654) | – |
| Transfer upon completion | 10,753 | (10,753) | – | – |
| Transfer from property, plant and equipment and prepaid lease payments | 286 | – | – | 286 |
| Transfer to property, plant and equipment (note 14) | (22) | – | – | (22) |
| Transfer to properties under development for sale (note 16) | – | – | (492) | (492) |
| Increase in fair value recognised in profit or loss | 749 | 2,163 | – | 2,912 |
| At 31 December 2013 | 29,191 | 10,574 | 10,508 | 50,273 |
| | | | | |
| At 31 December 2013 | | | | |
| – Stated at fair value | 29,191 | 10,574 | – | 39,765 |
| – Stated at cost | – | – | 10,508 | 10,508 |
| | | | | |
| At 1 January 2014 | 29,191 | 10,574 | 10,508 | 50,273 |
| Additions | 30 | 3,452 | 2,583 | 6,065 |
| Disposal of subsidiaries (note 38(e)) | (204) | – | – | (204) |
| Eliminated upon disposal | (1,899) | – | – | (1,899) |
| Transfers | – | 163 | (163) | – |
| Transfer upon completion | 6,018 | (6,018) | – | – |
| Transfer from property, plant and equipment and prepaid lease payments | – | 236 | – | 236 |
| Transfer due to refurbishment | (204) | 204 | – | – |
| Transfer from/to properties under development for sale (note 16) | – | 1,527* | (28) | 1,499 |
| Transfer to assets held for sale | (12) | – | – | (12) |
| Increase in fair value recognised in profit or loss | 884 | 1,320 | – | 2,204* |
| At 31 December 2014 | 33,804 | 11,458 | 12,900 | 58,162 |
| | | | | |
| At 31 December 2014 | | | | |
| – Stated at fair value | 33,804 | 11,458 | – | 45,262 |
| – Stated at cost | – | – | 12,900 | 12,900 |

* During the year ended 31 December 2014, certain properties under development for sale with a carrying amount of RMB753 million have been transferred to investment properties under construction or development upon the change in use of the properties evidenced by entering into leasing arrangement for the properties to be used as completed investment properties to generate rental income. At the date of transfer, the difference amounting to RMB774 million between the fair value of the properties amounting to RMB1,527 million and their carrying amount is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 13. Investment Properties (Continued)

The investment properties are all situated in the PRC and held under long term leases of RMB7,779 million (2013: RMB6,588 million) and medium term leases of RMB50,383 million (2013: RMB43,685 million). All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

During the year ended 31 December 2014, investment properties under construction or development with a carrying amount of RMB28 million (2013: RMB492 million) are transferred to properties under development for sale upon the finalisation of development plan, where upon the Group has determined that the properties would be developed with a view to sale.

The fair values of the Group's investment properties at 31 December 2014 and 31 December 2013, and the fair values of properties at the dates of transfer to/from investment properties have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group.

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

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

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

## 13. Investment Properties (Continued)

The major inputs used in the fair value measurement of the Group's major investment properties as at 31 December 2014 and 31 December 2013 are set out below:

| Investment properties held by the Group in the consolidated statement of financial position | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value | Sensitivity |
|---|---|---|---|---|---|
| **Completed investment properties** | | | | | |
| Completed investment properties located in Shanghai with an aggregate carrying amount of RMB28,335 million (2013: RMB21,982 million) | Level 3 | Income Capitalisation Approach<br>The key inputs are:<br>(1) Capitalisation rate; and<br>(2) Daily market rent. | Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 3.75% to 7.5% (2013: from 3.75% to 8.25%). | The higher the capitalisation rate, the lower the fair value. | A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa. |
| | | | Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB2.6 to RMB15.2 (2013: from RMB2.6 to RMB15.5) per square metre ("sqm") per day on gross floor area basis. | The higher the daily market rent, the higher the fair value. | A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa. |
| Completed investment properties located in Wuhan with an aggregate carrying amount of RMB1,505 million (2013: RMB1,293 million) | Level 3 | Income Capitalisation Approach<br>The key inputs are:<br>(1) Capitalisation rate; and<br>(2) Daily market rent. | Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.25% (2013: 6.25%). | The higher the capitalisation rate, the lower the fair value. | A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa. |
| | | | Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of RMB5.3 (2013: RMB4.6) per sqm per day on gross floor area basis. | The higher the daily market rent, the higher the fair value. | A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa. |
| Completed investment properties located in Foshan with an aggregate carrying amount of RMB2,017 million (2013: RMB1,981 million) | Level 3 | Income Capitalisation Approach<br>The key inputs are:<br>(1) Capitalisation rate; and<br>(2) Daily market rent. | Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 4.5% to 4.75% (2013: from 4.5% to 4.75%). | The higher the capitalisation rate, the lower the fair value. | A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa. |
| | | | Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average ranging from RMB2.7 to RMB4.5 (2013: from RMB2.7 to RMB4.3) per sqm per day on gross floor area basis. | The higher the daily market rent, the higher the fair value. | A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa. |
| Completed investment properties located in Chongqing with an aggregate carrying amount of RMB1,947 million (2013: RMB3,935 million) | Level 3 | Income Capitalisation Approach<br>The key inputs are:<br>(1) Capitalisation rate; and<br>(2) Daily market rent. | Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 4.25% to 5.5% (2013: 4.5% to 7.5%). | The higher the capitalisation rate, the lower the fair value. | A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa. |
| | | | Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of RMB1.6 to RMB5.0 (2013: RMB1.5 to RMB4.6) per sqm per day on gross floor area basis. | The higher the daily market rent, the higher the fair value. | A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 13. Investment Properties (Continued)

| Investment properties held by the Group in the consolidated statement of financial position | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value | Sensitivity |
|---|---|---|---|---|---|
| **Investment properties under construction or development that are measured at fair value** | | | | | |
| Investment properties under construction or development located in Shanghai with an aggregate carrying amount of RMB5,504 million (2013: RMB7,805 million) | Level 3 | Market-based Approach The key inputs are: (1) Gross development value; (2) Level adjustment; and (3) Developer's profit. | Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparabls and the property, of RMB5,517 million (2013: RMB5,137 million). | The higher the gross development value, the higher the fair value. | A significant increase in gross development value used would result in a significant increase in fair value, and vice versa. |
| | | | Level adjustment on individual floor of retail portion of the property ranging from 50% to 70% (2013: from 50% to 70%) on specific levels. | The higher the level adjustment, the lower the fair value. | A significant increase in level adjustment used would result in a significant decrease in fair value, and vice versa. |
| | | | Developer's profit, taking into account the comparable land transactions and progress of the property, of a range from 1% to 7% (2013: from 4% to 12%). | The higher the developer's profit, the lower the fair value. | A significant increase in developer's profit used would result in a significant decrease in fair value, and vice versa. |
| Investment properties under construction or development located in Wuhan with an aggregate carrying amount of RMB2,676 million (2013: RMB1,407 million) | Level 3 | Market-based Approach The key inputs are: (1) Gross development value; (2) Level adjustment; and (3) Developer's profit. | Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB3,742 million (2013: RMB3,051 million). | The higher the gross development value, the higher the fair value. | A significant increase in gross development value used would result in a significant increase in fair value, and vice versa. |
| | | | Level adjustment on individual floor of retail portion of the property ranging from 60% to 95% (2013: 50% to 90%) on specific levels. | The higher the level adjustment, the lower the fair value. | A significant increase in level adjustment used would result in a significant decrease in fair value, and vice versa. |
| | | | Developer's profit, taking into account the comparable land transactions and progress of the property, of 6% (2013: 10%). | The higher the developer's profit, the lower the fair value. | A significant increase in developer's profit used would result in a significant decrease in fair value, and vice versa. |

## 13. Investment Properties (Continued)

| Investment properties held by the Group in the consolidated statement of financial position | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value | Sensitivity |
|---|---|---|---|---|---|
| **Investment properties under construction or development that are measured at fair value (Continued)** | | | | | |
| Investment properties under construction or development located in Foshan with an aggregate carrying amount of RMB1,527 million (2013: nil) | Level 3 | Market-based Approach<br>The key inputs are:<br>(1) Gross development value;<br>(2) Level adjustment; and<br>(3) Developer's profit. | Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB2,419 million. | The higher the gross development value, the higher the fair value. | A significant increase in gross development value used would result in a significant increase in fair value, and vice versa. |
| | | | Level adjustment on individual floor of retail portion of the property ranging from 65% to 95% on specific levels. | The higher the level adjustment, the lower the fair value. | A significant increase in level adjustment used would result in a significant decrease in fair value, and vice versa. |
| | | | Developer's profit, taking into account the comparable land transactions and progress of the property, of 6.1%. | The higher the developer's profit, the lower the fair value. | A significant increase in developer's profit used would result in a significant decrease in fair value, and vice versa. |
| Investment properties under construction or development located in Chongqing with an aggregate carrying amount of RMB1,751 million (2013: RMB1,362 million) | Level 3 | Market-based Approach<br>The key inputs are:<br>(1) Gross development value;<br>(2) Level adjustment; and<br>(3) Developer's profit. | Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB9,054 million (2013: RMB9,026 million). | The higher the gross development value, the higher the fair value. | A significant increase in gross development value used would result in a significant increase in fair value, and vice versa. |
| | | | Level adjustment on individual floor of retail portion of the property ranging from 75% to 95% (2013: from 75% to 95%) on specific levels. | The higher the level adjustment, the lower the fair value. | A significant increase in level adjustment used would result in a significant decrease in fair value, and vice versa. |
| | | | Developer's profit, taking into account the comparable land transactions and progress of the property, of 13% (2013: 13%). | The higher the developer's profit, the lower the fair value. | A significant increase in developer's profit used would result in a significant decrease in fair value, and vice versa. |

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## 14. Property, Plant and Equipment

| | Land and buildings RMB'million | Hotel properties RMB'million | Hotels under development RMB'million | Furniture, fixtures, equipment and motor vehicles RMB'million | Total RMB'million |
|---|---|---|---|---|---|
| **At Cost** | | | | | |
| At 1 January 2013 | 998 | 2,540 | 299 | 405 | 4,242 |
| Disposal of subsidiaries (note 38(g)) | – | – | – | (6) | (6) |
| Transfer to investment properties | (245) | – | – | – | (245) |
| Transfer from investment properties (note 13) | 22 | – | – | – | 22 |
| Additions | – | – | 159 | 38 | 197 |
| Disposals | – | – | – | (3) | (3) |
| At 31 December 2013 | 775 | 2,540 | 458 | 434 | 4,207 |
| Acquisition of a subsidiary (note 38(a)) | – | – | – | 3 | 3 |
| Disposal of subsidiaries (note 38(e) and (f)) | (44) | (1,841) | – | (34) | (1,919) |
| Transfer to investment properties under construction or development | – | (91) | – | – | (91) |
| Transfer to assets held for sale | – | – | (440) | – | (440) |
| Additions | – | – | 143 | 28 | 171 |
| Disposals | – | – | – | (17) | (17) |
| At 31 December 2014 | 731 | 608 | 161 | 414 | 1,914 |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2013 | 93 | 105 | – | 262 | 460 |
| Disposal of subsidiaries (note 38(g)) | – | – | – | (3) | (3) |
| Charge for the year | 24 | 95 | – | 74 | 193 |
| Eliminated on disposals | – | – | – | (1) | (1) |
| Transfer to investment properties | (19) | – | – | – | (19) |
| At 31 December 2013 | 98 | 200 | – | 332 | 630 |
| Disposal of subsidiaries (note 38(e) and (f)) | (23) | (208) | – | (26) | (257) |
| Charge for the year | 5 | 91 | – | 65 | 161 |
| Transfer to investment properties under construction or development | – | (24) | – | – | (24) |
| Eliminated on disposals | – | – | – | (14) | (14) |
| At 31 December 2014 | 80 | 59 | – | 357 | 496 |
| **Carrying Values** | | | | | |
| At 31 December 2014 | 651 | 549 | 161 | 57 | 1,418 |
| At 31 December 2013 | 677 | 2,340 | 458 | 102 | 3,577 |

The carrying amounts of owner-occupied leasehold land and buildings of RMB619 million (2013: RMB627 million), hotel properties of RMB549 million (2013: RMB2,273 million) and hotels under development of RMB40 million (2013: RMB44 million) at the end of the reporting period included both the leasehold land and building elements in property, plant and equipment, as in the opinion of the Directors, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably. The land portions of the remaining owner-occupied properties were included in prepaid lease payments.

## 14. Property, Plant and Equipment (Continued)

The land and buildings, hotel properties and hotels under development are all situated in the PRC and held under long term leases of RMB45 million (2013: RMB51 million) and medium term leases of RMB1,316 million (2013: RMB3,424 million).

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

| | |
|---|---|
| Land and buildings | Over the shorter of the term of the lease, or 50 years |
| Hotel properties | Over the shorter of the term of the lease, or 50 years |
| Furniture, fixtures, equipment and motor vehicles | 20% to 33-1/3% |

## 15. Prepaid Lease Payments

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| At beginning of the year | 586 | 671 |
| Transfer to properties under development for sale (note 16) | (10) | (43) |
| Transfer to investment properties | (125) | (29) |
| Transfer to assets held for sale | (317) | – |
| Release for the year (note 7) | (3) | (13) |
| At end of the year | 131 | 586 |

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

## 16. Properties Under Development for Sale

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| At beginning of the year | 22,711 | 20,150 |
| Additions | 7,062 | 6,337 |
| Disposal of a subsidiary (note 38(d)) | (5,257) | – |
| Impairment loss recognised (included in 'cost of sales') | (120) | – |
| Transfer from prepaid lease payments (note 15) | 10 | 43 |
| Transfer (to) from investment properties under construction or development (note 13) | (725) | 492 |
| Transfer to properties held for sale | (8,997) | (4,311) |
| At end of the year | 14,684 | 22,711 |

The properties under development are all situated in the PRC and held under long term leases of RMB14,684 million (2013: RMB21,517 million) and medium term leases of nil (2013: RMB1,194 million).

Included in the properties under development for sale as at 31 December 2014 is carrying value of RMB12,698 million (2013: RMB14,839 million) which represents the carrying value of the properties expected to be realised after twelve months from the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 17. Interests in Associates/Loans to Associates/Amounts Due from Associates

| | Notes | 2014 RMB'million | 2013 RMB'million |
|---|---|---|---|
| Cost of investments, unlisted | | 482 | 482 |
| Share of post-acquisition profits | | 431 | 604 |
| | | 913 | 1,086 |
| Loans to associates | | | |
| – Interest free | (a) | 785 | 743 |
| – Interest bearing ranging from 5% to 6.77% (2013: 5% to 6.15%) per annum | (b) | 1,019 | 911 |
| | | 1,804 | 1,654 |
| Amounts due from associates – non-current | (c) | 1,242 | – |
| Amounts due from associates – current | (c) | – | 564 |

Notes:

(a) These loans to associates represent the loans to subsidiaries of Richcoast, an associate of the Group, for financing the development and operation of Dalian Tiandi project in Dalian, the PRC. The Dalian Tiandi project is an integrated mixed-use development in Dalian and it comprises office, retail, residential and hotel/service apartments. The principal activities of Richcoast are strategic to the Group's activities as the Group has determined to conduct its property development activities in Dalian through its strategic investment in Richcoast. Pursuant to the joint venture agreement ("Joint Venture Agreement") dated 25 May 2007 entered into among the three shareholders of Richcoast, being Innovate Zone Group Limited ("Innovate Zone"), an indirect subsidiary of the Company, Main Zone Group Limited ("Main Zone"), a direct wholly-owned subsidiary of SOCAM Development Limited ("SOCAM", an associate of SOCL) and Many Gain International Limited ("Many Gain"), an independent third party, the loans are unsecured, interest-free and have no fixed terms of repayment until Many Gain has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rate of 7.29% (2013: 7.29%) per annum.

(b) These loans to associates, represent the loans to subsidiaries of Richcoast, are unsecured, carry interest at rates ranging from 5% to 6.77% (2013: 5% to 6.15%) per annum and have no fixed terms of repayment.

(c) The amounts due from subsidiaries of Richcoast are unsecured, interest free and repayable on demand, except for an aggregate amount of RMB910 million (2013: RMB310 million) which carries interest at rate of 6.16% to 12% (2013: 6.6%) per annum. As at 31 December 2014, the entire amount due from associates is classified as a non-current asset as the Directors of the Company expect that such amount will not be repayable within twelve months from the end of the reporting period.

Particulars of the Group's principal associates at 31 December 2014 and 31 December 2013 are as follows:

| Name of associate | Form of legal entity | Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group | Place of incorporation/ registration and operations | Principal activities |
|---|---|---|---|---|
| Richcoast (notes 1 and 2) | Sino-Foreign Joint Venture | 61.54% | BVI | Investment holding |
| Dalian Qiantong Science & Technology Development Co., Ltd. (note 3) | Sino-Foreign Joint Venture | 48% | PRC | Software park development |
| Dalian Ruisheng Software Development Co., Ltd. (note 3) | Sino-Foreign Joint Venture | 48% | PRC | Software park development |
| Dalian Delan Software Development Co., Ltd. (note 3) | Sino-Foreign Joint Venture | 48% | PRC | Software park development |
| Dalian Jiadao Science & Technology Development Co., Ltd. (note 3) | Sino-Foreign Joint Venture | 48% | PRC | Software park development |
| Dalian Software Park Shuion Fazhan Co., Ltd. (note 3) | Sino-Foreign Joint Venture | 48% | PRC | Software park development |
| Dalian Software Park Shuion Kaifa Co., Ltd. (note 3) | Sino-Foreign Joint Venture | 48% | PRC | Software park development |

Notes:

1. Pursuant to the terms of the Joint Venture Agreement, the Board of Directors of Richcoast consists of four representatives designated by Innovate Zone, three representatives designated by Main Zone, and three representatives by Many Gain. The Board is responsible for managing the business and affairs of the Richcoast Group, establishing the strategic direction, policies of, and operating procedures of the Richcoast Group, and shall decide on matters by a simple majority vote. Accordingly, the Group has significant influence over Richcoast by virtue of its contractual right to appoint four out of ten Directors to the Board of Richcoast.
2. Pursuant to the Joint Venture Agreement, Richcoast is owned 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone and Many Gain, respectively, for the development and operation of Dalian Tiandi project.
3. These companies are non-wholly owned subsidiaries of Richcoast.

## 17. Interests in Associates/Loans to Associates/Amounts Due from Associates (Continued)

The summarised consolidated financial information of Richcoast and its subsidiaries, which is prepared in accordance with IFRSs, is set out below:

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Current assets | 5,029 | 5,102 |
| Non-current assets | 7,838 | 7,761 |
| Current liabilities | 5,728 | 4,678 |
| Non-current liabilities | 4,992 | 5,671 |
| Net assets attributable to: | | |
| Shareholders of Richcoast | 1,484 | 1,765 |
| Non-controlling interests | 663 | 749 |
| | 2,147 | 2,514 |

The above amounts of assets and liabilities include the following:

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Current assets | | |
| Properties under development for sales | 3,198 | 3,837 |
| Properties held for sales | 558 | 357 |
| Bank balances and cash | 478 | 307 |
| Non-current assets | | |
| Investment properties | 7,322 | 7,127 |
| Current liabilities | | |
| Trade and other payables | 1,470 | 1,173 |
| Bank borrowings – due within one year | 2,854 | 1,162 |
| Amounts due to related companies | 1,404 | 2,343 |
| Non-current liabilities | | |
| Bank borrowings – due after one year | 1,713 | 2,272 |
| Loans from shareholders | 2,774 | 2,630 |
| Deferred tax liabilities | 482 | 581 |
| Amount due to non-controlling shareholder of a subsidiary | 23 | – |

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Revenue | 929 | 543 |
| Loss and total comprehensive expense for the year | (367) | (383) |
| Attributable to: | | |
| Shareholders of Richcoast | (281) | (289) |
| Non-controlling interests | (86) | (94) |
| | (367) | (383) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 17. Interests in Associates/Loans to Associates/Amounts Due from Associates (Continued)

The above loss and total comprehensive expense for the year include the following:

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| (Decrease) increase in fair value of investment properties | (231) | 97 |
| Impairment loss on properties under development for sales | (102) | (342) |

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

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Total assets and liabilities of Richcoast | 2,147 | 2,514 |
| Less: Non-controlling interests in Richcoast | (663) | (749) |
| Equity attributable to shareholders of Richcoast | 1,484 | 1,765 |
| | | |
| Proportion of the Group's ownership interest in Richcoast | 61.54% | 61.54% |
| Carrying amount of the Group's interest in Richcoast | 913 | 1,086 |

## 18. Interests in Joint Ventures/Loans to Joint Ventures/Amount Due from a Joint Venture

| | Notes | 2014 RMB'million | 2013 RMB'million |
|---|---|---|---|
| Cost of investment, unlisted | (a) | 70 | 25 |
| Share of post-acquisition results | | – | – |
| | | 70 | 25 |
| | | | |
| Loans to joint ventures | (b) | | |
| – Interest-free | | 118 | – |
| | | | |
| – Interest bearing at 110% of People's Bank of China ("PBOC") Prescribed Interest Rate per annum | | 900 | – |
| – Interest bearing at 100% of PBOC Prescribed Interest Rate per annum | | 717 | 675 |
| | | 1,735 | 675 |
| | | | |
| Amount due from a joint venture | (c) | – | 11 |
| Less: Allowance | | – | (11) |
| | | – | – |

Notes:

(a) The cost of investment as at 31 December 2014 includes fair value of the 19.3419% equity investment in Portspin Group measured at the date of losing control over Portspin Group in the current year amounting to RMB40 million (see note 38(d)).

(b) The loans to joint ventures are unsecured and repayable on demand, except for the amount of RMB717 million (2013: RMB675 million) that is repayable in 2018. The Directors of the Company consider that all loans to joint ventures are not expected to be repaid within twelve months after the end of the reporting period and therefore the amounts are classified as non-current.

(c) The amount due from a joint venture is unsecured, interest free and repayable on demand.

## 18. Interests in Joint Ventures/Loans to Joint Ventures/Amount Due from a Joint Venture (Continued)

Particulars of the Group's joint ventures at 31 December 2014 and 31 December 2013 are as follows:

| Name of joint venture | Form of legal entity | Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group 2014 | 2013 | Place of incorporation/ registration and operations | Principal activities |
|---|---|---|---|---|---|
| Crystal Jade Food and Beverage (Hangzhou) Limited^ | Limited liability company | – | 50% | Hong Kong | Investment holding |
| Shanghai Li Xing Hotel Co., Limited ("Shanghai Li Xing")^^ | Sino-Foreign Joint Venture | – | 50% | PRC | Investment holding |
| 上海永麟投資管理有限公司* Shanghai Yong Lin Investment Management Limited ("Shanghai Yong Lin")*# | Sino-Foreign Joint Venture | 19.8%* | 19.8%* | PRC | Property management and other activities |
| Portspin Limited** | Limited liability company | 19.3419% (note 38(d)) | 51% | BVI | Investment holding |
| Legend City Limited*** | Limited liability company | 19.3419% (note 38(d)) | 51% | Hong Kong | Investment holding |
| 上海駿興房地產開發有限公司 ("Shanghai Junxing")*** | Sino-Foreign Joint Venture | 18.9551% (note 38(d)) | 49.98% | PRC | Property development |
| 大連億達德基裝飾工程有限公司^^^ | Sino-Foreign Joint Venture | 50% | – | PRC | Provision of decoration services |

^ Disposed of during the current year
^^ Disposed of during the current year (see note 38(e)).
^^^ Acquired during the year (see note 38(a))
* Pursuant to the memorandum and articles of association of Shanghai Yong Lin, the Group and the other equity owner (the "JV Partner", an independent third party which owns 80.2% equity interest in Shanghai Yong Lin) are considered to have joint control over Shanghai Yong Lin as certain major decisions that relate to the relevant activities of Shanghai Yong Lin require unanimous consent from the Group and the JV Partner.
Shanghai Yong Lin is principally engaged in the property management and other activities in respect of relocation activities in Shanghai. Its principal activities are considered as strategic to the Group's activities as the relocation activities are carried out in the vicinity of one of the Group's property projects.
** Pursuant to the joint venture agreement entered into by the Group and the joint venture partner, major decisions that relate to the relevant activities of Portspin Group require unanimous consent from the Group and the other joint venture partner. Portspin Group is engaged in property development in the PRC.
*** Subsidiaries of Portspin Limited
# For identification only

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

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Current assets | 72 | 51 |
| Non-current assets | 2,627 | 2,105 |
| Current liabilities | 21 | 20 |
| Non-current liabilities | 2,553 | 2,011 |
| Net assets | 125 | 125 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 18. Interests in Joint Ventures/Loans to Joint Ventures/Amount Due from a Joint Venture (Continued)

The above amounts of assets and liabilities of Shanghai Yong Lin include the following:

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Non-current assets | | |
| Prepayment and advances | 2,627 | 2,105 |
| Current assets | | |
| Bank balances and cash | 72 | 30 |
| Non-current liabilities | | |
| Bank borrowings – due after one year | 1,856 | 1,356 |
| Loans from shareholders | 697 | 655 |

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

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Total assets and liabilities of Shanghai Yong Lin | 125 | 125 |
| Proportion of the Group's ownership interest in Shanghai Yong Lin | 19.8% | 19.8% |
| Carrying amount of the Group's interest in Shanghai Yong Lin | 25 | 25 |

The summarised consolidated financial information of Portspin Group, which is prepared in accordance with IFRSs, is set out below:

| | 2014 RMB'million |
|---|---|
| Current assets | 5,716 |
| Current liabilities | 874 |
| Non-current liabilities | 4,692 |
| | |
| Net assets attributable to: | |
| Shareholders of Portspin | 60 |
| Non-controlling interests | 90 |
| | 150 |

The above amounts of assets and liabilities of Portspin Group include the following:

| | 2014 RMB'million |
|---|---|
| Current assets | |
| Properties under development for sale | 5,457 |
| Bank balances and cash | 257 |
| | |
| Non-current liabilities | |
| Bank borrowings – due after one year | 40 |
| Loans from shareholders | 4,652 |

The profit or loss of Portspin Group from the date of losing control to 31 December 2014 is insignificant.

## 19. Accounts Receivable, Deposits and Prepayments

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Non-current accounts receivable comprise: | | |
| Rental receivables in respect of rent-free periods | 211 | 96 |
| Trade receivables | 30 | 75 |
| Prepayments of relocation costs (note) | 165 | – |
| | 406 | 171 |
| Current accounts receivable comprise: | | |
| Trade receivables | 478 | 561 |
| Prepayments of relocation costs (note) | 7,765 | 3,677 |
| Other deposits, prepayments and receivables, mainly include prepaid business tax of RMB115 million (2013: RMB338 million) | 573 | 828 |
| | 8,816 | 5,066 |

Note:
The amount represents monies paid to a few relocation agents for clearing the land of the current occupants in respect of a property development project in Shanghai. 77% and 17% of the total outstanding balance are paid to two of the relocation agents.
The balances represent the amounts that will be capitalised to properties under development for sale and investment properties as soon as the relocation is completed. Such relocation process in respect of the land portion which will be developed for sale is in accordance with the Group's normal operating cycle and accordingly the related relocation costs are classified as current assets. The balances are not expected to be realised within twelve months from the end of the reporting period.

Trade receivables comprise:

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

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

Included in the Group's accounts receivable, deposits and prepayments are trade receivable balances of RMB508 million (2013: RMB636 million), of which 97% (2013: 67%) are aged less than 90 days, and 3% (2013: 33%) are aged over 90 days, as compared to when revenue was recognised.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB40 million (2013: RMB45 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, of which 62% (2013: 84%) are past due within 90 days, and 38% (2013: 16%) are past due over 90 days, based on the repayment terms set out in the sales and purchase agreements or debit notes to the tenants. No provision for impairment is considered necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 20. Pledged Bank Deposits/Restricted Bank Deposits/Bank Balances

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. Deposits amounting to RMB2,300 million (2013: RMB2,747 million) have been pledged to secure long-term bank loans and are therefore classified as non-current assets.

Bank balances carry interest at market rates which range from 0.35% to 2.86% (2013: 0.35% to 1.35%) per annum. Pledged bank deposits carry interest at fixed rates which range from 0.35% to 1.15% (2013: 0.35% to 1.35%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Restricted bank deposits include (i) deposits placed by the Group with banks amounting to RMB1,147 million (2013: RMB1,231 million) which can only be applied to designated property development projects of the Group, and (ii) bank deposits amounting to RMB1,224 million (2013: nil) solely for the purpose of repayment of 2015 SGD Notes (as defined in note 31). Restricted bank deposits carry interest at market rates which range from 0.35% to 1.15% (2013: 0.35% to 1.35%) per annum.

## 21. Properties Held for Sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost less impairment.

## 22. Amounts Due from/to Related Companies

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Amounts due from related companies comprise: | | |
| Fellow subsidiaries | 78 | 51 |
| Investees of SOCAM | 581 | 296 |
| | 659 | 347 |
| Amounts due to related companies comprise: | | |
| Fellow subsidiaries | 11 | 21 |
| Subsidiaries of SOCAM | 229 | 390 |
| | 240 | 411 |

The amounts above are unsecured, interest free and repayable on demand. In the opinion of the Directors of the Company, the amounts due from related companies are expected to be repaid within twelve months after the end of the reporting period and accordingly the amounts are classified as current assets.

## 23. Amounts Due from/to Non-Controlling Shareholders of Subsidiaries

At 31 December 2014, the amounts due from non-controlling shareholders of subsidiaries are unsecured, interest free and repayable on demand, except for an amount of RMB31 million (2013: RMB31 million) which is unsecured, carries interest at 6.6% per annum and is repayable within one year from the end of the reporting period.

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest free and repayable on demand.

## 24. Assets Classified as Held for Sale

Pursuant to a deed dated 27 August 2014 (the "Deed"), Shine First Limited, an indirect wholly-owned subsidiary of the Company, as the seller, has conditionally agreed to procure 上海瑞橋房地產發展有限公司, its indirect wholly-owned subsidiary, to sell and Wisdom Joy Investment Limited, an indirect wholly-owned subsidiary of Great Eagle Holdings Limited ("Great Eagle", a company listed in the Stock Exchange of which the substantial shareholder, chairman and the managing director is the sibling of the Chairman and ultimate controlling shareholder of the Company), as the buyer, has conditionally agreed to procure its indirect wholly-owned subsidiary in the PRC to acquire, a hotel and certain carparks located in Shanghai, the PRC for a cash consideration of RMB965 million. As at 31 December 2014, the aggregate carrying amount of the hotel that is currently under development by the Group amounts to RMB769 million, which includes investment properties, hotel under development and prepaid lease payments of RMB12 million, RMB440 million and RMB317 million respectively.

## 24. Assets Classified as Held for Sale (Continued)

The Directors of the Company have assessed whether the potential disposal meets held-for-sale criteria set out in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Taking into account the conditions to be met to complete the disposal, the Directors of the Company believe that it is highly probable that the disposal will be completed within twelve months from the date when the assets are classified as held for sale. As at 31 December 2014, the Group has not received any consideration.

## 25. Accounts Payable, Deposits Received and Accrued Charges

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Current portion comprise: | | |
| Trade payables | 3,439 | 3,466 |
| Retention payables (note) | 646 | 458 |
| Deed tax, business tax and other tax payables | 308 | 355 |
| Deposits received and receipt in advance from property sales | 1,638 | 5,805 |
| Deposits received and receipt in advance in respect of rental of investment properties | 413 | 396 |
| Other payables and accrued charges | 482 | 389 |
| | 6,926 | 10,869 |
| Non-current portion comprise: | | |
| Other payables and accrued charges | 72 | – |

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

Included in the Group's accounts payable, deposits received and accrued charges are trade payable balances of RMB3,439 million (2013: RMB3,466 million), of which 75% (2013: 76%) are aged less than 30 days, 15% (2013: 19%) are aged between 31 to 60 days, 6% (2013: 1%) are aged between 61 days to 90 days, and 4% (2013: 4%) are aged more than 90 days, based on invoice date.

## 26. Loans from Non-Controlling Shareholders of Subsidiaries

The carrying amounts of the loans from non-controlling shareholders of subsidiaries are analysed as follows:

| Denominated in | Interest rate per annum | 2014 RMB'million | 2013 RMB'million |
|---|---|---|---|
| RMB | 110% of PBOC Prescribed Interest Rate (note (a)) | – | 1,648 |
| HK$ | Interest free (notes (a) and (b)) | 70 | 540 |
| United States dollars ("US$") | 110% of PBOC Prescribed Interest Rate (note (a)) | – | 417 |
| | | 70 | 2,605 |

Notes:
(a) The loans are unsecured and will not be demanded for payment until the Group's subsidiaries are in a position to repay the loans, which are to be mutually agreed between both parties. During the current year, these amounts were assigned to Trophy following the disposal of subsidiaries and acquisition of non-controlling interests of subsidiaries (note 38(d)).
(b) The principal amounts of the loans have been reduced following the acquisition of non-controlling interests in a subsidiary (note 38(c)) and disposals of subsidiaries (note 38(e)). The loans are carried at amortised cost at an effective interest rate of 7.0% (2013: 7.0%) per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 27. Bank and Other Borrowings

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Bank borrowings repayable within a period of: | | |
| – Not more than 1 year or on demand | 5,724 | 6,280 |
| – More than 1 year, but not exceeding 2 years | 9,702 | 8,234 |
| – More than 2 years, but not exceeding 5 years | 11,466 | 8,097 |
| – More than 5 years | 740 | 893 |
| | 27,632 | 23,504 |
| Other borrowings repayable within a period of: | | |
| – Not more than 1 year or on demand | 55 | 35 |
| – More than 1 year, but not exceeding 2 years | 722 | 55 |
| – More than 2 years, but not exceeding 5 years | – | 772 |
| | 777 | 862 |
| Total bank and other borrowings | 28,409 | 24,366 |
| Less: Amount due within one year shown under current liabilities | (5,779) | (6,315) |
| Amount due after one year | 22,630 | 18,051 |

The carrying amounts of the Group's bank and other borrowings are analysed as follows:

| Denominated in | Interest rate | 2014 RMB'million | 2013 RMB'million |
|---|---|---|---|
| RMB | 90% to 146.5% (2013: 90% to 140%) of PBOC Prescribed Interest Rate | 18,730 | 13,774 |
| HK$ | Hong Kong Interbank Offered Rates ("HIBOR") plus 2.5% to 4.75% (2013: HIBOR plus 1.5% to 4.75%) | 6,873 | 7,906 |
| US$ | Singapore Interbank Offered Rates ("SIBOR") plus 3.75% (2013: SIBOR plus 2.75% to 3.5%) | – | 244 |
| US$ | London Interbank Offered Rates ("LIBOR") plus 3.1% to 4.75% (2013: LIBOR plus 2.5% to 4.75%) | 2,806 | 2,442 |
| | | 28,409 | 24,366 |

As at 31 December 2014, the weighted average effective interest rate on the bank and other borrowings was 6.12% (2013: 6.0%), and are further analysed as follows:

| | 2014 | 2013 |
|---|---|---|
| Denominated in RMB | 7.0% | 7.2% |
| Denominated in HK$ | 4.5% | 4.4% |
| Denominated in US$ | 4.3% | 4.2% |

The bank and other borrowings at the end of the reporting period are secured by the pledge of assets as set out in note 40.

## 28. Share Capital

| | Authorised | | Issued and fully paid | |
|---|---|---|---|---|
| | Number of shares | US$'000 | Number of shares | US$'000 |
| Ordinary shares of US$0.0025 each<br>At 1 January 2013 | 12,000,000,000 | 30,000 | 6,001,294,642 | 15,003 |
| Issue of shares under rights issue (note) | – | – | 2,000,431,547 | 5,001 |
| At 31 December 2013 and<br>31 December 2014 | 12,000,000,000 | 30,000 | 8,001,726,189 | 20,004 |

| | 2014 & 2013<br>RMB'million |
|---|---|
| Shown in the consolidated statement of financial position as | 145 |

Note:
On 20 May 2013, the Company completed the rights issue by issuing 2,000,431,547 rights shares on the basis of one rights share for every three existing shares, at a subscription price of HK$1.84 per rights share ("Rights Issue"). The cash proceeds of approximately HK$3,681 million (equivalent to RMB2,937 million), before share issue expenses of HK$48 million (equivalent to RMB38 million), are used to finance the land relocation, repayment of existing debts, and for general working capital of the Group. These shares rank pari passu with the then existing shares in issue in all aspects.

## 29. Reserves

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the group reorganisation in 2004; and

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

(b) Special reserve comprise:

The difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in the profit or loss upon the earlier of the disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.

(c) Other reserves comprise:

(i) An amount of RMB483 million, which represents payable waived in 2004 by Shui On Investment Company Limited ("SOI", a shareholder of the Company, which is wholly owned by SOCL), in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of SOI, and recharged to certain subsidiaries of the Company.

(ii) Capital contribution of RMB21 million arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a non-controlling shareholder of a subsidiary in 2005.

(iii) Non-distributable reserve of RMB99 million arising from the capitalisation of retained earnings as registered capital of a subsidiary in the PRC in 2006.

(iv) A credit amount of RMB34 million recognised in the year ended 31 December 2010, which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest of 16.8% in Yang Pu Centre Development Co., Ltd. being acquired from the non-controlling interests in 2010.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 29. Reserves (Continued)

(c) Other reserves comprise: (Continued)

(v) An amount of RMB188 million recognised against the other reserve in the year ended 31 December 2012, which arose from the Group's acquisition of additional interest of 4.81% in Foresight Profits Limited ("Foresight") through capital injection in Foresight. Following the acquisition of the entire non-controlling interest in Foresight during the current year (see note 38(d)), all balances of non-controlling interest related to Foresight are derecognised and hence the corresponding adjustment of RMB188 million is made to other reserve.

(vi) A credit amount of RMB138 million recognised in the year ended 31 December 2012, which represents the difference between the fair value of the consideration received and the carrying amount of the net assets attributable to the partial disposal of equity interests of 49% in Glory Land Investments Limited.

(vii) A debit amount of RMB52 million recognised in the year ended 31 December 2013, which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in Shanghai Bai-Xing Properties Co., Ltd. ("Bai-Xing"), Shanghai Ji-Xing Properties Co., Ltd. ("Ji-Xing"), Shanghai Tai Ping Qiao Properties Management Co., Ltd. ("TPQM"), Shanghai Xin-tian-di Plaza Co., Ltd. ("XTD Plaza"), Shanghai Xing Bang Properties Co., Ltd. ("Xing Bang") and Shanghai Xing-Qi Properties Co., Ltd. ("Xing-Qi").

(viii) A credit amount of RMB84 million recognised in the year ended 31 December 2013, which represents the difference between the fair value of the consideration received and the carrying amount of the net assets attributable to the partial disposal of equity interests of 49% in Value Land Investment Limited ("Value Land", an indirect wholly-owned subsidiary of the Company which is engaged in property development in Foshan, the PRC). The 49% equity interests in Value Land was acquired during the current year and a debit balance of RMB82 million, representing the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to such acquisition, was recognised in "other reserves". The net difference of RMB2 million previously recognised in other reserve was transferred to retained earnings; and

(ix) A credit amount of RMB120 million recognised in the year ended 31 December 2014, which represents the difference between the fair value of consideration paid and the decrease in the non-controlling shareholders of subsidiaries (see note 38(d)).

## 30. Convertible Bonds

On 29 September 2010, the Company issued RMB denominated US$ settled 4.5% convertible bonds with the aggregate principal amount of RMB2,720 million with initial conversion price of HK$4.87 at a fixed exchange rate of RMB1.00 to HK$1.1439. An adjustment had been made to the conversion price from HK$4.87 to HK$3.75 as a result of the dividends paid and Rights Issue since the convertible bonds were issued.

Conversion may occur at any time between 10 November 2010 and 19 September 2015. The Company will, at the option of the holder of the bonds, be required to redeem all or some only of such holder's bonds on 29 September 2013 at an amount equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest.

If the bonds have not been converted or redeemed by the date of maturity, they will be redeemed at an amount equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest.

The Company may at any time after 29 September 2013 redeem all, but not some only, of the bonds for the time being outstanding at the US$ equivalent of their RMB principal amount, together with interest accrued to the date fixed for redemption, provided that the closing price of the shares of the Company translated into RMB at the prevailing rate applicable to the relevant trading day, for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the conversion price then in effect, translated into RMB at the fixed rate of RMB1.00 = HK$1.1439.

## 30. Convertible Bonds (Continued)

The Company may at any time redeem all, but not some only, of the bonds being outstanding at a redemption price equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest to the date fixed for redemption, if prior to the date of notice at least 90% in RMB principal amount of the bonds originally issued has already been converted, redeemed or purchased and cancelled.

The convertible bonds contain two components: equity and liability elements. The equity element is presented in equity heading "convertible bond equity reserve". The fair value of the liability component at inception date is determined based on the valuation carried out by an independent valuer and the effective interest rate of the liability component on initial recognition is 10.7% per annum.

During the year ended 31 December 2013, the Company repurchased a total principal amount of RMB80 million of the convertible bonds. In addition, on 29 September 2013, certain bondholders exercised their rights to require the Company to redeem a total principal amount of RMB2,207 million of the convertible bonds. The loss on remeasurement of the carrying amount of the liability component of the convertible bonds repurchased and redeemed amounted to RMB166 million and is recognised in finance costs.

The redeemed and repurchased convertible bonds were subsequently cancelled. Accordingly, an amount of RMB509 million was transferred from convertible bond equity reserve to retained earnings for the year ended 31 December 2013.

The convertible bonds outstanding at 31 December 2014 are classified as current liabilities (2013: non-current liabilities) in accordance with their maturity date which is on 19 September 2015 as the holders' right to require the Company to redeem on 29 September 2013 had lapsed.

The movement of the liability component of the convertible bonds for the year is set out below:

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| At 1 January | 395 | 2,346 |
| Interest charged during the year | 43 | 292 |
| Less: Interest paid | (19) | (122) |
| Less: Repurchase during the year | – | (72) |
| Less: Redemption during the year | – | (2,049) |
| At 31 December | 419 | 395 |
| Less: Amount due within one year shown under current liabilities | (419) | – |
| Amount due after one year | – | 395 |

## 31. Senior Notes

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| At 1 January | 10,330 | 13,519 |
| Issue of new senior notes* | 10,605 | – |
| Less: Transaction costs directly attributable to issue/modification of senior notes | (534) | – |
| Interest charged during the year | 1,435 | 1,162 |
| Less: Interest paid | (1,272) | (1,106) |
| Less: Repayment of senior notes | (1,350) | (3,000) |
| Exchange translation | (77) | (245) |
| At 31 December | 19,137 | 10,330 |
| Less: Amount due within one year shown under current liabilities | (5,275) | – |
| Amount due after one year | 13,862 | 10,330 |

* The amount does not include new senior notes issued in exchange for existing senior notes (see below).

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For the year ended 31 December 2014

## 31. Senior Notes (Continued)

### Outstanding senior notes which were issued before 31 December 2013

On 26 January 2011, Shui On Development (Holding) Limited ("SOD"), a wholly-owned subsidiary of the Company, issued RMB3,500 million senior notes to independent third parties with a maturity of four years due on 26 January 2015 (the "2015 RMB Notes"). The 2015 RMB Notes are denominated in RMB and settled in US$, and bear coupon at 7.625% per annum payable semi-annually in arrears. Certain of 2015 RMB Notes were exchanged for 2018 US$ Notes or 2020 US$ Notes or repurchased during the current year (see definitions below).

On 26 January 2012, Shui On Development (Singapore) Pte. Ltd. ("SODSG"), a wholly-owned subsidiary of the Company, issued Singapore dollar ("SGD") 250 million (equivalent to RMB1,241 million) senior notes to independent third parties with a maturity of three years due on 26 January 2015 (the "2015 SGD Notes"). The 2015 SGD Notes are denominated and settled in SGD, and bear coupon interest at 8% per annum payable semi-annually in arrears.

On 16 February 2012 and 29 February 2012, SOD issued US$400 million (equivalent to RMB2,520 million) senior notes and US$75 million (equivalent to RMB472 million) senior notes, respectively, to independent third parties with a maturity of three years due on 16 February 2015 (the "2015 US$ Notes"). The 2015 US$ Notes are denominated and settled in US$, and bear coupon interest at 9.75% per annum payable semi-annually in arrears.

On 6 August 2012, SOD issued US$400 million senior notes at 102.785% of the principal amount plus accrued interest from 16 February 2012 to 6 August 2012 ("Additional Notes") (equivalent to RMB2,719 million) to independent third parties. These Additional Notes consolidate and form a single class with the 2015 US$ Notes and have the same term and maturity date of 16 February 2015. These Additional Notes are denominated in US$, and bear coupon interest at 9.75% per annum payable semi-annually in arrears. Certain of 2015 US$ Notes were exchanged for 2018 US$ Notes or 2020 US$ Notes during the current year (see definitions below).

#### Principal terms of 2015 RMB Notes

The 2015 RMB Notes were:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefore; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2015 RMB Notes, SOD may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium (see definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2015 RMB Notes. In the opinion of the Directors, the fair value of the option to early redeem the 2015 RMB Notes is insignificant at initial recognition and at the end of the reporting period.

At any time on or before all the 2015 RMB Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the Group's consolidated profit for the period/year.

## 31. Senior Notes (Continued)

### Outstanding senior notes which were issued before 31 December 2013 (Continued)

#### Principal terms of 2015 SGD Notes

The 2015 SGD Notes were:

(a) senior in right of payment to any existing and future obligations of SODSG expressly subordinated in right of payment to the 2015 SGD Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SODSG (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company, SOD and SODSG, to the extent of the value of the assets serving as security thereof; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2015 SGD Notes, SODSG may at its option redeem the 2015 SGD Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2015 SGD Notes redeemed plus the applicable premium (see definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SODSG, and the trustee of the 2015 SGD Notes. In the opinion of the Directors, the fair value of the option to early redeem the 2015 SGD Notes is insignificant at initial recognition and at the end of the reporting period.

At any time on or before all the Notes or 2015 SGD Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the Group's consolidated profit for the period/year.

"Applicable Premium" for the 2015 RMB Notes and 2015 SGD Notes means with respect to the notes at any redemption date, the greater of (1) 1.00% of the principal amount of the notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the notes, plus (ii) all required remaining scheduled interest payments due on the notes through the maturity date of the notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to 2.5%, over (B) the principal amount of the notes on such redemption date.

#### Principal terms of 2015 US$ Notes

The 2015 US$ Notes were:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the 2015 US$ Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security thereof; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2015 US$ Notes, SOD may at its option redeem the 2015 US$ Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2015 US$ Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2015 US$ Notes. In the opinion of the Directors, the fair value of the option to early redeem the 2015 US$ Notes is insignificant at initial recognition and at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 31. Senior Notes (Continued)

### Outstanding senior notes which were issued before 31 December 2013 (Continued)

Principal terms of 2015 US$ Notes (Continued)

At any time on or before all the Notes or 2015 US$ Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the Group's consolidated profit for the period/year.

"Applicable Premium" means with respect to the 2015 US$ Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2015 US$ Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the 2015 US$ Notes, plus (ii) all required remaining scheduled interest payments due on the 2015 US$ Notes through the maturity date of the 2015 US$ Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of the 2015 US$ Notes on such redemption date.

### Senior notes issued during the year ended 31 December 2014

In the current year, the Group has:

- issued for cash consideration of RMB2,500 million senior notes due in 2017; and
- exchanged or repurchased for cash certain RMB or US$ denominated senior notes due in 2015 for US$ denominated senior notes due in 2018 or 2020, as well as issued US$ denominated senior notes due in 2018 or 2020; and
- issued for cash consideration of US$550 million (equivalent to RMB3,394 million) senior notes due in 2019; and
- issued for cash consideration of US$500 million (equivalent to RMB3,077 million) senior notes due in 2017.

Issue of RMB2,500 million senior notes due in 2017

On 26 February 2014, SOD issued RMB2,500 million senior notes to independent third parties with a maturity of three years due on 26 February 2017 (the "2017 RMB Notes"). The 2017 RMB Notes bear coupon at 6.875% per annum payable semi-annually in arrears.

The 2017 RMB Notes are:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the 2017 RMB Notes;

(b) ranked at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis, subject to certain limitations;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefor; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of the Company other than SOD.

At any time prior to 26 February 2017, being the maturity date of the 2017 RMB Notes, SOD may at its option redeem the 2017 RMB Notes, in whole or in part, at a redemption price equal to the sum of 100% of the principal amount of the 2017 RMB Notes redeemed, accrued and unpaid interest (if any) and the Applicable Premium (see the definition below). In the opinion of the Directors, the fair value of the option to early redeem the 2017 RMB Notes is insignificant at initial recognition and at the end of the reporting period.

## 31. Senior Notes (Continued)

### Senior notes issued during the year ended 31 December 2014 (Continued)

"Applicable Premium" for the 2017 RMB Notes means with respect to the senior notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2017 RMB Notes and (2) the excess of (A) the present value at such redemption date of (i) the principal amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2017 RMB Notes through the maturity date of the 2017 RMB Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate of 2.5% per annum, over (B) the principal amount of the senior notes redeemed on such redemption date.

Exchange or repurchase for cash certain RMB or US$ denominated senior notes due in 2015 for US$ denominated senior notes due in 2018 or 2020, as well as issue of US$ denominated senior notes due in 2018 or 2020

*Exchange or repurchase RMB or US$ denominated senior notes due in 2015*

On 14 April 2014, SOD offered to exchange and/or repurchase for cash any and all the outstanding 2015 RMB Notes (the "RMB Exchange and Tender Offer"). In addition, SOD offered to exchange any and all the outstanding 2015 US$ Notes (the "US$ Exchange Offer").

Following the completion of the RMB Exchange and Tender Offer and US$ Exchange Offer,

- US$418 million of the 2015 US$ Notes were exchanged to US$341 million 2018 US$ Notes (see the definitions below) and US$77 million 2020 US$ Notes, respectively, (see definitions below) with an aggregate exchange premium in cash of RMB135 million paid to the noteholders;

- RMB1,350 million of the 2015 RMB Notes were repurchased for cash with a premium of RMB34 million paid to the noteholders; and

- RMB959 million of the 2015 RMB Notes were exchanged to US$117 million (equivalent to RMB719 million translated at the spot exchange rate on the date of issue (i.e. 19 May 2014)) 2018 US$ Notes and US$39 million (equivalent to RMB240 million translated at the spot exchange rate on 19 May 2014) 2020 US$ Notes with an aggregate exchange premium in cash of RMB24 million paid to the noteholders.

After the completion of the RMB Exchange and Tender Offer and US$ Exchange Offer, US$457 million of the 2015 US$ Notes and RMB1,191 million of the 2015 RMB Notes remained outstanding.

The 2018 US$ Notes and 2020 US$ Notes issued in exchange for the 2015 US$ Notes were accounted for as modifications as the present value of the discounted cash flows under the new terms are not substantially different from those under the old terms, with the exchange premium of RMB135 million being amortised over the remaining periods of the 2018 US$ Notes and 2020 US$ Notes. The 2018 US$ Notes and 2020 US$ Notes issued in exchange for the 2015 RMB Notes were accounted for as derecognition of the existing senior notes and recognition of new senior notes with the exchange premium of RMB24 million being recognised in profit or loss in the current reporting period. Other transaction costs of RMB63 million relating to the modification for the existing senior notes would be amortised over the remaining terms of the senior notes.

*Issue of US$ denominated senior notes due in 2018 or 2020*

In addition to those senior notes that were issued in exchange for the 2015 RMB Notes and 2015 US$ Notes, SOD issued the following senior notes to independent third parties:

- US$179 million (equivalent to RMB1,100 million translated at the spot exchange rate on 19 May 2014) senior notes with a maturity of four years due on 19 May 2018, which bear coupon at 8.700% per annum payable semi-annually in arrears (the "2018 US$ Notes").

- US$87 million (equivalent to RMB534 million translated at the spot exchange rate on 19 May 2014) senior notes with a maturity of six years due on 19 May 2020, which bear coupon at 9.750% per annum payable semi-annually in arrears (the "2020 US$ Notes").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 31. Senior Notes (Continued)

### Senior notes issued during the year ended 31 December 2014 (Continued)

Exchange or repurchase for cash certain RMB or US$ denominated senior notes due in 2015 for US$ denominated senior notes due in 2018 or 2020, as well as issue of US$ denominated senior notes due in 2018 or 2020 (Continued)

*Issue of US$ denominated senior notes due in 2018 or 2020 (Continued)*

The 2018 US$ Notes and 2020 US$ Notes are:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the 2018 US$ Notes and 2020 US$ Notes;

(b) ranked at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis, subject to certain limitations;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefor; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of the Company other than SOD.

At any time prior to the maturity date of the 2018 US$ Notes, the 2018 US$ Notes may be redeemed at the option of SOD, in whole or in part, at a redemption price equal to the sum of 100% of the principal amount of the 2018 US$ Notes redeemed, accrued and unpaid interest (if any) and an Applicable Premium (see the definition below). In the opinion of the Directors, the fair value of the option to early redeem the 2018 US$ Notes is insignificant at initial recognition and at the end of the reporting period.

At any time prior to 19 May 2017, the 2020 US$ Notes may be redeemed at the option of SOD, in whole or in part, at a redemption price equal to the sum of 100% of the principal amount of the 2020 US$ Notes redeemed, accrued and unpaid interest (if any) and an Applicable Premium (see the definition below). In the opinion of the Directors, the fair value of the option to early redeem the 2020 US$ Notes is insignificant at initial recognition and at the end of the reporting period.

"Applicable Premium" means with respect to the senior notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2018 US$ Notes and 2020 US$ Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2018 US$ Notes and 2020 US$ Notes through the maturity date of the 2018 US$ Notes and 2020 US$ Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of the senior notes redeemed on such redemption date.

At any time and from time to time on or after 19 May 2017, the 2020 US$ Notes may be redeemed at the option of SOD, in whole or in part, at a redemption price with a range from 101.219% to 104.875% of the principal amount of the 2020 US$ Notes plus accrued and unpaid interest (if any). In the opinion of the Directors, the fair value of the option to early redeem the 2020 US$ Notes is insignificant at initial recognition and at the end of the reporting period.

Issue of US$550 million senior notes due in 2019

On 10 June 2014, SOD further issued US$550 million (equivalent to RMB3,394 million translated at the spot exchange rate on the date of issue (i.e. 10 June 2014)) senior notes to independent third parties with a maturity of five years due on 10 June 2019 (the "2019 US$ Notes"). The 2019 US$ Notes bear coupon at 9.625% per annum payable semi-annually in arrears.

## 31. Senior Notes (Continued)

### Senior notes issued during the year ended 31 December 2014 (Continued)

#### Issue of US$550 million senior notes due in 2019 (Continued)

The 2019 US$ Notes are:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the 2019 US$ Notes;

(b) ranked at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis, subject to certain limitations;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefor; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of the Company other than SOD.

At any time prior to 10 June 2017, the 2019 US$ Notes may be redeemed at the option of SOD, in whole or in part, at a redemption price equal to the sum of 100% of the principal amount of the 2019 US$ Notes redeemed, accrued and unpaid interest (if any) and an Applicable Premium (see the definition below). In the opinion of the Directors, the fair value of the option to early redeem the 2019 US$ Notes is insignificant at initial recognition and at the end of the reporting period.

"Applicable Premium" means with respect to the 2019 US$ Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2019 US$ Notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the senior notes redeemed, plus (ii) all required remaining scheduled interest payments due on the 2019 US$ Notes through the maturity date of the 2019 US$ Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of the senior notes redeemed on such redemption date.

At any time and from time to time on or after 10 June 2017, the 2019 US$ Notes may be redeemed at the option of SOD, in whole or in part, at a redemption price with a range from 102.406% to 104.813% of the principal amount of the 2019 US$ Notes plus accrued and unpaid interest (if any). In the opinion of the Directors, the fair value of the option to early redeem the 2019 US$ Notes is insignificant at initial recognition and at the end of the reporting period.

#### Issue of US$500 million senior notes due in 2017

On 24 November 2014, SOD further issued US$500 million (equivalent to RMB3,077 million translated at the spot exchange rate on the date of issue (i.e. 24 November 2014)) senior notes to independent third parties with a maturity of three years due on 24 November 2017 (the "2017 US$ Notes"). The 2017 US$ Notes bear coupon at 8.70% per annum payable semi-annually in arrears.

The 2017 US$ Notes are:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the 2017 US$ Notes;

(b) ranked at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis, subject to certain limitations;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefor; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of the Company other than SOD.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 31. Senior Notes (Continued)

### Senior notes issued during the year ended 31 December 2014 (Continued)

#### Issue of US$500 million senior notes due in 2017 (Continued)

At any time prior to 24 November 2017, the 2017 US$ Notes may be redeemed at the option of SOD, in whole or in part, at a redemption price equal to the sum of 100% of the principal amount of the 2017 US$ Notes redeemed, accrued and unpaid interest (if any) and an Applicable Premium (see the definition below). In the opinion of the Directors, the fair value of the option to early redeem the 2017 US$ Notes is insignificant at initial recognition and at the end of the reporting period.

"Applicable Premium" means with respect to the 2017 US$ Notes at any redemption date, the greater of (1) 1.00% of the principal amount of the 2017 US$ Notes and (2) the excess of (A) the present value at such redemption date of (i) the principal amount of the 2017 US$ Notes at 24 November 2017, plus (ii) all required remaining scheduled interest payments due on the 2017 US$ Notes through the maturity date of the 2017 US$ Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such notes on such redemption date.

At any time on or before all the senior notes, including 2017 RMB Notes, 2018 US$ Notes, 2020 US$ Notes, 2019 US$ Notes and 2017 US$ Notes, are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the Group's consolidated profit for the period/year.

## 32. Convertible Perpetual Securities and Warrants

In October 2013, the Company and China Xintiandi Holding Company Limited ("China Xintiandi", a wholly-owned subsidiary of the Company) entered into a set of agreements with an independent third party (the "Investor"), pursuant to which the Investor conditionally agreed to subscribe for the following for US$495 million (net of closing fee to the Investor of US$5 million):

- convertible perpetual securities issued by China Xintiandi with the aggregate principal amount of US$500 million; and
- 415 million warrants issued by the Company.

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

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

The warrants are classified as derivative liabilities and measured at fair value at initial recognition and at subsequent reporting dates.

On the initial recognition of the convertible perpetual securities and warrants, the aggregate consideration of US$495 million (equivalent to RMB3,025 million) were allocated to the convertible perpetual securities and warrants taking into account the fair value of warrants of US$21 million (equivalent to RMB129 million) at initial recognition with the residual of US$474 million (equivalent to RMB2,896 million) being allocated to the convertible perpetual securities. Transaction costs of RMB94 million and RMB4 million, respectively, have been allocated to convertible perpetual securities and warrants. Transaction costs allocated to the convertible perpetual securities are recognised in equity whereas transaction costs allocated to the warrants are recognised as expenses when they are incurred.

### Key terms of the convertible perpetual securities

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

The convertible perpetual securities do not have any maturity date.

## 32. Convertible Perpetual Securities and Warrants (Continued)

### Key terms of the convertible perpetual securities (Continued)

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

- in respect of the period from, and including the issue date to, but excluding 17 February 2019, 8.3 per cent per annum;
- in respect of the period from, and including 17 February 2019, 20 per cent per annum.

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

The convertible perpetual securities may be converted into ordinary shares of China Xintiandi at any time at the option of the holders at an initial conversion price of approximately US$2,283 per China Xintiandi share subject to certain anti-dilutive adjustments. The convertible perpetual securities will convert automatically into ordinary shares of China Xintiandi upon a qualified IPO or a listing approved by the holders ("China Xintiandi Listing") at the same pre-determined conversion price. If China Xintiandi completes a listing of China Xintiandi that is not a China Xintiandi Listing, the convertible perpetual securities will remain outstanding after such listing of China Xintiandi.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 32. Convertible Perpetual Securities and Warrants (Continued)

### Key terms of the convertible perpetual securities (Continued)

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

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

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

Up to the date of the authorisation of the Group's consolidated financial statements for the year ended 31 December 2014, no convertible perpetual securities have been converted into ordinary shares of China Xintiandi or of the Company nor have been redeemed.

Any distributions made by China Xintiandi to the Investor will be recognised in equity. The distribution for the semi-annual period ended 16 August 2014 amounting to RMB128 million was paid during the year. The Group had not elected to defer distribution payments for the semi-annual period ended 16 February 2015, and such distribution had been fully settled as of the date of authorisation of the Group's consolidated financial statements.

### Key terms of the warrants

The 415 million warrants are exercisable for 415 million ordinary shares of the Company from the closing date until the third anniversary of the closing date at an exercise price of HK$2.85 per ordinary share subject to certain anti-dilutive adjustments. Upon exercise of the warrants, to the extent that the-then market value of each ordinary share of the Company exceeds the exercise price of the warrant by HK$3.62, the number of ordinary shares to be issued will be reduced such that the gain to be received by the holder of the warrant will be capped at HK$3.62 per warrant.

Upon exercise of any warrant by a warrantholder, the Company, as the issuer, may, at its sole discretion, settle its obligations with respect of the warrants in one of the following manners:

- deliver a certain number of ordinary shares of the Company to the warrantholders based on the above-mentioned exercise price with the HK$3.62 cap mechanism;

- deliver a certain number of ordinary shares of the Company to the warrantholders with an aggregate value (calculated based on the market price of ordinary shares of the Company at the time of exercise) equal to the difference between (i) the aggregate value (calculated based on the market price of the ordinary shares of the Company at the time of exercise) of the ordinary shares underlying the warrants being exercised (taking into account the above-mentioned HK$3.62 cap mechanism) and (ii) the aggregate amount of the exercise price to be paid for the warrants being exercised; or

- deliver cash to the warrantholders equal to the difference between (i) the aggregate value (calculated based on the market price of the ordinary shares of the Company at the time of exercise) of the ordinary shares underlying the warrants being exercised (taking into account the above-mentioned HK$3.62 cap mechanism) and (ii) the aggregate amount of the exercise price to be paid for the warrants being exercised.

Up to the date of the authorisation of the Group's consolidated financial statements for year ended 31 December 2014, no warrants have been exercised.

## 32. Convertible Perpetual Securities and Warrants (Continued)

### Key terms of the warrants (Continued)

The warrants issued by the Company are measured at fair value at initial recognition. At the end of each reporting date, the warrants are measured at fair value, with changes in fair value being recognised in profit or loss. The movements of the fair value of the derivative liabilities represented by warrants during the current year are as below:

| | RMB'million |
|---|---|
| Fair value recognised as at the date of initial recognition | 129 |
| Unrealised fair value gain recognised in profit or loss | (65) |
| Fair value at 31 December 2014 (included in 'derivative financial instruments – current') (note 34) | 64 |

The Company has engaged an independent qualified valuer to determine the fair values of the warrants as at the date of initial recognition and as at 31 December 2014. The fair values of warrants as at the date of initial recognition and as at 31 December 2014 are determined based on Black-Scholes option pricing method. Key inputs used in arriving at the fair values are as follows:

| | At 17 February 2014 | At 31 December 2014 |
|---|---|---|
| Share price of the Company | HK$2.28 | HK$1.83 |
| Risk free rate | 0.60% | 0.62% |
| Exercise price | HK$2.85 | HK$2.85 |
| Warrant cap | HK$6.47 | HK$6.47 |
| Expected dividend yield | 2.23% | 2.23% |
| Volatility | 40% | 41% |
| Warrant life | 3 years | 2.13 years |

The above risk free rates were determined with reference to yields of 3 years and 2.13 years Hong Kong Exchange Fund Notes available as of 17 February 2014 and 31 December 2014, respectively. The expected volatility was determined based on the historical volatility of the Company's share price for the past 3 years and 2.13 years, respectively.

The fair values of warrants as at the date of initial recognition and as at 31 December 2014 are categorised as Level 3 under the fair value hierarchy set out in IFRS 13 *Fair Value Measurement*.

## 33. Perpetual Capital Securities

On 4 December 2012, SOD issued US$500 million (equivalent to RMB3,137 million) 10.125% guaranteed perpetual capital securities ("Perpetual Capital Securities") at an issue price of 100% of the principal amount. The Perpetual Capital Securities were issued for general corporate funding purposes and were guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SOD under the Perpetual Capital Securities. Distributions on the Perpetual Capital Securities are paid semi-annually in arrears from 10 June 2013 and can be deferred at the discretion of SOD. The Perpetual Capital Securities have no fixed maturity and are redeemable at SOD's option on or after 10 December 2017 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company and SOD cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company and SOD.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 34. Derivative Financial Instruments

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Warrants (note 32) | 64 | – |
| Interest rate swaps | 7 | 7 |
| Cross currency swaps | 232 | 98 |
| | 303 | 105 |
| For the purpose of financial statement presentation: | | |
| Non-current liabilities | 89 | 105 |
| Current liabilities | 214 | – |
| | 303 | 105 |

### Interest rate swaps

At 31 December 2014 and 31 December 2013, the Group had outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations.

Under these swaps, the Group would receive interests at variable rates at HIBOR and pay interests at fixed rates ranging from 0.53% to 0.64% (2013: 0.53% to 0.64%); receive interests at variable rates at LIBOR and pay interests at fixed rates ranging from 0.54% to 0.71% (2013: 0.54% to 0.71%); and receive interests ranging from 115% to 125% (2013: 110%) of the PBOC Prescribed Interest Rate and pay interests at a fixed rate of 7.52% and 7.85% (2013: 7.52% and 7.85%), based on the notional amounts of HK$2,377 million (2013: HK$3,227 million), US$305 million (2013: US$305 million) and RMB656 million (2013: RMB456 million) in aggregate as at 31 December 2014, respectively, and reduced ratably with repayment of the underlying bank borrowings.

The Group has designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group with principal amount of HK$2,377 million (2013: HK$3,227 million), US$305 million (2013: US$305 million) and RMB656 million (2013: RMB456 million) which bear variable interest at HIBOR plus spread ranging from 3.1% to 4.6% (2013: 3.1% to 4.6%), LIBOR plus spread ranging from 3.1% to 4.6% (2013: 3.1% to 4.6%) and 115% to 125% (2013: 110%) of PBOC Prescribed Interest Rate, respectively, and will mature on or before October 2015, October 2015 and June 2016, respectively. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the year ended 31 December 2014, fair value gain arising from the interest rate swaps of RMB2 million (2013: RMB14 million) was deferred in equity as hedge reserve, which is expected to be recognised in the profit or loss at various dates upon the interest payments of the related bank borrowings being settled.

### Cross currency swaps

(a) Derivative financial instruments designated as hedging instruments

During the year ended 31 December 2013, the Group entered into cross currency swaps to hedge against the variability of cash flows arising from the Group's 2015 SGD Notes. Under these swaps, the Group would receive interest at a fixed rate of 8% per annum based on the principal amount of SGD250 million and pay interest semi-annually at fixed rates ranging from 9.57% to 9.68% per annum based on the notional amounts of RMB1,269 million in aggregate, with a maturity of two years due on 26 January 2015. The cross currency swaps have been negotiated to match the settlement periods of the 2015 SGD Notes.

During the year ended 31 December 2014, the Group also entered into cross currency swaps to hedge against the variability of cash flows arising from the Group's 2015 US$ Notes with principal amount of US$400 million. Under these swaps, the Group would receive interest at a fixed rate of 9.75% per annum based on the principal amount of US$400 million and pay interest semi-annually at fixed rates ranging from 9.2% to 9.78% per annum based on the notional amount of approximately RMB2,500 million in aggregate. The cross currency swaps have been negotiated to match the settlement period of the 2015 US$ Notes.

## 34. Derivative Financial Instruments (Continued)

### Cross currency swaps (Continued)

During the year ended 31 December 2014, the fair value loss arising from the cross currency swaps of RMB52 million (2013: RMB98 million) was recognised in other comprehensive income, of which fair value loss amounting to RMB55 million (2013: RMB75 million) was reclassified from hedge reserve to profit or loss in the same period when the hedged item affects profit or loss.

(b) Derivative financial instruments not designated as hedging instruments

During the year ended 31 December 2014, the Group entered into cross currency swaps to reduce the risk of currency exchange fluctuation of the Group's 2017 RMB Notes with principal amount of RMB2,500 million. Under these swaps, the Group would receive interest at a fixed rate of 6.875% per annum based on the principal amount of RMB2,500 million and pay interest semi-annually at fixed rate at 5.840% to 5.975% per annum, based on the notional amount of approximately US$408 million in aggregate. The cross currency swaps have been negotiated to match the settlement period of the 2017 RMB Notes.

The Group has not designated the cross currency swaps of 2017 RMB Notes as hedge and its fair value loss amounting to RMB82 million was recognised immediately in profit or loss during the current year.

## 35. Liabilities Arising from Rental Guarantee Arrangements

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| Rental guarantees, at fair values | 531 | 177 |
| For the purpose of financial statements presentation: | | |
| Non-current liabilities | 249 | – |
| Current liabilities | 282 | 177 |
| | 531 | 177 |

During the year, the Group disposed of an investment property to an independent third party ("purchaser") for a cash consideration of RMB2,412 million. As of 31 December 2014, RMB2,291 million of the cash consideration has been received by the Group and the remaining RMB121 million has been recognised as accounts receivables in the Group's consolidated statement of financial position. As part of the disposal, the Group also agreed to provide the purchaser with a rental guarantee whereby the Group agreed to compensate the purchaser on a yearly basis, from the date when the first instalment was received till 31 January 2019 which could be further extended by the purchaser for three times, each for a one-year period when certain conditions are met, the shortfall between 8% of the consideration received by the Group from the purchaser and the net operating income to be generated by the property. On the other hand, the Group shall be entitled to receive from the purchaser a fee amounting to 80% of the excess of net operating income above 8% of the consideration received by the Group from the purchaser.

A similar arrangement was entered into in prior year with another independent third party purchaser, which, in accordance with the related sales and purchase agreement, the rental guarantee arrangement will last till January 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 35. Liabilities Arising from Rental Guarantee Arrangements (Continued)

As at 31 December 2014, the fair value of financial liabilities arising from the abovementioned rental guarantee arrangements, which is calculated by using Monte-Carlo simulation using the following assumptions:

| | Arrangement entered into in the current year | Arrangement entered into in prior year |
|---|---|---|
| Estimated office unit rental | RMB125 to RMB170 per sqm | RMB108 to RMB130 per sqm |
| Occupancy rate | 95% to 98% | 97% to 98% |
| Risk-free rate | 3.46% | 3.38% |
| Discount rate | 8% | 8% |
| Volatility | 17.3% | 13.23% |
| Expected expiry date | 31 January 2019 | 17 January 2017 |

## 36. Deferred Tax Assets/Liabilities

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

| | Accelerated tax depreciation RMB'million | Revaluation of investment properties RMB'million | Tax losses RMB'million | Recognition of sales and related cost of sales RMB' million | Withholding tax on income derived in the PRC RMB' million | Others RMB' million | Total RMB' million |
|---|---|---|---|---|---|---|---|
| At 1 January 2013 | 1,320 | 3,728 | (147) | (191) | 206 | 19 | 4,935 |
| Charge (credit) to profit or loss | 113 | 777 | (34) | 40 | 43 | 34 | 973 |
| Disposal of subsidiaries (note 38(g)) | (136) | (214) | 4 | – | – | – | (346) |
| At 31 December 2013 | 1,297 | 4,291 | (177) | (151) | 249 | 53 | 5,562 |
| Charge (credit) to profit or loss | 108 | 715 | (60) | (426) | (8) | (201) | 128 |
| Charge to other comprehensive income | – | 11 | – | – | – | – | 11 |
| Disposal of subsidiaries (note 38(e)) | – | – | – | – | – | (97) | (97) |
| At 31 December 2014 | 1,405 | 5,017 | (237) | (577) | 241 | (245) | 5,604 |

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

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Deferred tax assets | (402) | (100) |
| Deferred tax liabilities | 6,006 | 5,662 |
| | 5,604 | 5,562 |

At the end of the reporting period, the Group has unused tax losses of RMB1,099 million (2013: RMB885 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB948 million (2013: RMB706 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB151 million (2013: RMB179 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

## 36. Deferred Tax Assets/Liabilities (Continued)

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| 2014 | – | 1 |
| 2015 | 16 | 30 |
| 2016 | 7 | 7 |
| 2017 | 15 | 19 |
| 2018 | 56 | 122 |
| 2019 | 57 | – |
| | 151 | 179 |

## 37. Provident and Retirement Fund Schemes

### Hong Kong

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was effective in 2004. The assets of the Plan are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

#### The MPF Scheme

For members of the MPF Scheme, contributions are made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of services with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff costs during the year ended 31 December 2014 is RMB12 million (2013: RMB1 million).

#### The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The actuarial valuations of the plan assets and the present value of the defined benefit obligation are carried out at 31 December 2014 and 31 December 2013 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost are measured using the Projected Unit Credit Method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 37. Provident and Retirement Fund Schemes (Continued)

### Hong Kong (Continued)

The Plan (Continued)

The Plan exposes the Group to actuarial risks such as investment risk, interest risk and salary risk.

| | |
|---|---|
| Investment risk | The plan assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the plan investments. |
| Interest risk | The present value of the defined benefit plan liabilities is calculated using a discount rate determined by reference to market corporate bond yields. A decrease in the discount rate will increase the plan liabilities. |
| Salary risk | The present value of the defined benefit plan liabilities is calculated by reference to the future salaries of members. An increase in the salaries of members will increase the plan liabilities. |

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | Valuation at | |
|---|---|---|
| | 2014 | 2013 |
| Discount rate per annum | 1.6% | 1.8% |
| Expected rate of salary increase | 5.0% | 5.0% |

The actuarial valuation showed that the market value of plan assets was RMB45 million (2013: RMB51 million) and that the actuarial value of these assets represented 56% (2013: 50%) of the benefits that had accrued to members.

Amounts recognised in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Service cost and components of defined benefit costs recognised in profit or loss: | | |
| – Current service cost | 3 | 4 |
| – Net interest cost | 1 | – |
| | 4 | 4 |
| Remeasurement of the net defined benefit liability and components of defined benefit costs recognised in other comprehensive income: | | |
| – Return on plan assets (excluding amounts included in net interest expense) | (1) | (4) |
| – Actuarial gains and losses arising from changes in demographic assumptions | – | 2 |
| – Actuarial gains and losses arising from changes in financial assumptions | 1 | (9) |
| – Actuarial gains and losses arising from experience adjustments | (6) | 49 |
| | (6) | 38 |
| Total | (2) | 42 |

The expense for the year is included in the retirement benefits costs in profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

## 37. Provident and Retirement Fund Schemes (Continued)

### Hong Kong (Continued)

The Plan (Continued)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Present value of funded defined benefit obligations | 81 | 102 |
| Fair value of plan assets | (45) | (51) |
| Net liabilities arising from defined benefit obligations | 36 | 51 |

Movements in the present value of the defined benefit obligations in the current year were as follows:

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| At 1 January | 102 | 53 |
| Current service cost | 3 | 4 |
| Interest cost | 2 | – |
| Remeasurement (gains) losses: | | |
| – Actuarial gains and losses arising from changes in demographic assumptions | – | 2 |
| – Actuarial gains and losses arising from changes in financial assumptions | 1 | (9) |
| – Actuarial gains and losses arising from experience adjustments | (6) | 49 |
| Contributions from plan participants | 1 | 1 |
| Benefits paid from scheme assets | (27) | – |
| Transfer in | 4 | 5 |
| Exchange realignment | 1 | (3) |
| At 31 December | 81 | 102 |

Movements in the present value of the plan assets in the current year were as follows:

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| At 1 January | 51 | 41 |
| Remeasurement gain: | | |
| – Interest income on scheme assets | 1 | – |
| – Return on plan assets (excluding amounts included in net interest expense) | 1 | 4 |
| Contributions from the employer | 13 | 2 |
| Contributions from plan participants | 1 | 1 |
| Benefits paid from scheme assets | (27) | – |
| Transfer in | 4 | 5 |
| Exchange realignment | 1 | (2) |
| At 31 December | 45 | 51 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 37. Provident and Retirement Fund Schemes (Continued)

### Hong Kong (Continued)

The Plan (Continued)

The major categories of plan assets at the end of the reporting period are as follows:

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| Equities | 30 | 30 |
| Hedge funds | 5 | 9 |
| Bonds and cash | 10 | 12 |
| | 45 | 51 |

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The actual return on plan assets was RMB2 million (2013: RMB4 million).

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and expected rate of salary increase. No sensitivity analysis is prepared as the financial impact arising from the changes in discount rate and expected rate of salary increase is insignificant.

The management has regularly monitored the investment strategies of the plan assets and there has been no change in the process used by the management to manage its risks from prior periods.

The average duration of the benefit obligation at 31 December 2014 is 6.0 years (2013: 6.7 years).

The Group expects to make a contribution of RMB10 million (2013: RMB13 million) to the defined benefit plan during the next financial year.

### PRC

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

## 38. Acquisitions and Disposals

### (a) Acquisition of construction, construction management and fitting out businesses in the PRC from SOCAM

Pursuant to a sale and purchase agreement dated 21 August 2014, the Company and its subsidiaries, as the purchasers, have conditionally agreed to buy, and SOCAM (a related party of the Group (see note 17) and its subsidiaries, as the sellers, have conditionally agreed to sell, 100% of the share capital and the shareholders' loans of:

- Shui On Granpex Limited ("SO Granpex");
- Pat Davie (China) Limited ("PD China"); and
- Famous Scene Holdings Limited ("Famous Scene"),

for an aggregate cash consideration of approximately HK$355 million (equivalent to RMB281 million translated at the spot rate at the date of completion). The acquired shareholders' loans amounted to HK$286 million (equivalent to RMB227 million translated at the spot rate at the date of completion).

The subsidiaries of the abovementioned acquired companies are engaged in the construction, construction management and fitting out businesses in the PRC.

## 38. Acquisitions and Disposals (Continued)

### (a) Acquisition of construction, construction management and fitting out businesses in the PRC from SOCAM (Continued)

On 31 October 2014, the acquisitions of SO Granpex, PD China and Famous Scene were completed. SO Granpex and Famous Scene together hold 85% equity interests in 瑞安建築有限公司 (Shui On Construction Co., Ltd.# ("SOCM")), which is engaged in building construction and maintenance in the PRC. The remaining 15% equity interests in SOCM are owned by an independent third party. The Group is currently one of the largest customers of SOCM.

For more information on the acquisition, please refer to the circular of the Company published on 22 September 2014.

Acquisition-related costs of RMB3 million have been expensed in the profit or loss in the current year and included in "General and administrative expenses" line item in the consolidated statement of profit or loss.

In the opinion of the Directors of the Company, the integration of these acquired companies with the existing property development business of the Group will bring synergy to the business of the Group, which in turn, will maximise the return to its shareholders. The acquisitions have been accounted for using the acquisition method.

The recognised amounts of assets and liabilities of the acquired companies at the date of acquisition (which is 31 October 2014) are set out below:

| | RMB'million |
|---|---|
| Property, plant and equipment | 3 |
| Interest in a joint venture | 5 |
| Debtors, deposits and prepayments | 227 |
| Amounts due from related companies | 290 |
| Amounts due from the Group | 443 |
| Bank balances and cash | 130 |
| Creditors and accrued charges | (599) |
| Amounts due to related companies | (178) |
| Taxation payables | (7) |
| Net assets acquired | 314 |
| | |
| Consideration paid | 281 |
| Plus: non-controlling interests | 18 |
| Less: Recognised net assets of the acquirees | (314) |
| Bargain purchase gain (included in 'other gains and losses' in the profit or loss) | (15) |
| | |
| Net cash outflow on acquisitions: | |
| Cash consideration paid | 281 |
| Less: cash and cash equivalent balances acquired | (130) |
| | 151 |

The non-controlling interests at the acquisition date were measured at their present ownership interests' proportionate share in the recognised amounts of the acquirees' identifiable assets at the date of acquisition.

The consideration of the acquisition was determined at agreed price-to-book ratio of 0.81 which was negotiated between the Group and SOCAM on an arm's length basis.

Included in the profit of the Group for the year ended 31 December 2014 is an aggregate loss of RMB2 million attributable to the acquired companies (after elimination of transactions with the Group). Turnover of the Group for the year ended 31 December 2014 includes RMB84 million generated from the acquired companies (after elimination of the transactions with the Group).

# For identification only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 38. Acquisitions and Disposals (Continued)

### (a) Acquisition of construction, construction management and fitting out businesses in the PRC from SOCAM (Continued)

Had the acquisitions of SO Granpex, PD (China) and Famous Scene been completed on 1 January 2014, the Group's total turnover for the year ended 31 December 2014 (after elimination of the transactions with the Group) would have been RMB10,729 million, and the Group's profit for the year ended 31 December 2014 would have been RMB2,476 million. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

### (b) Acquisition of additional interests in subsidiaries for the year ended 31 December 2013

During the year ended 31 December 2013, the Group acquired from a non-controlling equity owner its entire equity interest in certain subsidiaries, representing 3% of the registered capital of Bai-Xing, a subsidiary in which the Company indirectly owned 97% equity interest, 3% of the registered capital of Ji-Xing, a subsidiary in which the Company indirectly owned 97% equity interest, 1% of the registered capital of TPQM, a subsidiary in which the Company indirectly owned 99% equity interest, 3% of the registered capital of XTD Plaza, a subsidiary in which the Company indirectly owned 97% equity interest, 1% of the registered capital of Xing Bang, a subsidiary in which the Company indirectly owned 99% equity interest, 3% of the registered capital of Xing-Qi, a subsidiary in which the Company indirectly owned 97% equity interest, for a total cash consideration of RMB177 million. Upon completion of the acquisition, Bai-Xing, Ji-Xing, TPQM, XTD Plaza, Xing Bang and Xing-Qi became wholly-owned subsidiaries of the Group.

A debit balance of RMB52 million recognised in other reserve during the year ended 31 December 2013 represents the difference between the cash consideration paid and the carrying amount of the net assets attributable to the additional interest in Bai-Xing, Ji-Xing, TPQM, XTD Plaza, Xing Bang and Xing-Qi being acquired from the non-controlling equity owner.

### (c) Partial disposal of equity interests in subsidiaries in prior year and acquisition of the non-controlling interest in the current year

Pursuant to a sale and purchase agreement dated 29 November 2011 entered into between SOD and Mitsui Fudosan Residential Co., Ltd. ("Mitsui", a non-controlling shareholder of an associate's subsidiary), SOD agreed to dispose of, and Mitsui agreed to acquire from SOD, 49% of the equity interests of Value Land, and the related shareholder's loans of RMB298 million, for a total cash consideration of RMB391 million. An amount of RMB352 million was received in December 2011 and the remaining balance of RMB39 million was received during the year ended 31 December 2013 upon completion of the transaction pursuant to the terms of the sale and purchase agreement. Upon completion of the transaction, the Group's ownership interest in Value Land has reduced to 51% and the Group continues to have control over Value Land. The difference of RMB84 million (a credit balance) between the cash consideration received and the carrying amount of the net assets attributable to the 49% equity interest of Value Land was recognised directly in equity for the year ended 31 December 2013.

On 26 August 2014, SOD entered into a separate agreement with Mitsui pursuant to which SOD conditionally agreed to purchase and Mitsui agreed to sell (a) 49% of the equity interests in Value Land, and (b) the related shareholder's loan of RMB290 million for a total cash consideration of approximately RMB373 million. The transaction was completed on 11 September 2014. Accordingly, Value Land became an indirect wholly-owned subsidiary of the Company. The difference of RMB82 million (a debit balance) between the consideration paid and the carrying amount of non-controlling shareholders of subsidiaries was recognised directly in equity for the year ended 31 December 2014.

### (d) Disposal of subsidiaries and acquisition of non-controlling interests of subsidiaries

On 30 September 2013, the Group entered into a series of agreements with Trophy Property GP Limited, as general partner of and on behalf of Trophy Property Development L.P. and its subsidiaries (collectively referred to as "Trophy"). Pursuant to these agreements, the Group conditionally agreed to dispose of 51% equity interests of Portspin of which its subsidiaries own a parcel of land in Shanghai, the PRC, which is held for property development for sale and to assign the Group's shareholders' loans to Portspin to Trophy. In return, Trophy conditionally agreed to (i) transfer the non-controlling interests it has in the following non-wholly owned subsidiaries of the Group and its shareholders' loans to the following subsidiaries to the Group:

## 38. Acquisitions and Disposals (Continued)

### (d) Disposal of subsidiaries and acquisition of non-controlling interests of subsidiaries (Continued)

- 25% interest in Fieldcity Investments Limited ("Fieldcity");
- 20.19% interest in Foresight Profits Limited ("Foresight");
- 25% interest in Rightchina Limited ("Rightchina"); and
- 19.81% interest in Score High Limited ("Score High");

and (ii) form a joint venture with the Group by disposing to the Group's 19.3419% equity interests in Portspin.

Fieldcity, Foresight, Rightchina and Score High are the holding companies of certain of the Group's property projects in Wuhan, Rui Hong Xin Cheng in Shanghai and Chongqing.

In addition, in accordance with these agreements, Trophy has a right to require the Group to acquire equity interests in Portspin that worth US$90 million (representing approximately 10% equity interest in Portspin) and the related shareholders' loan of Portspin at an exercise price of US$81 million. If Trophy exercises the sale option to require the Group to acquire such equity interests and shareholders' loan of Portspin, the Group will have a right to acquire the same amount of equity interests (representing approximately 10% equity interest in Portspin) and shareholders' loan of Portspin at an exercise price of US$81 million. The sale and conditional purchase options are exercisable by Trophy and the Group respectively in a short period of time from the date of completion of the abovementioned agreement was entered into.

For more information on the disposal of subsidiaries and acquisition of non-controlling interests of subsidiaries, please refer to the circular of the Company published on 28 October 2013.

The disposal of 51% equity interests of Portspin, acquisition of the non-controlling interests of the Group's various subsidiaries (see above) and the subsequent formation of the joint venture in Portspin were completed on 5 September 2014. Upon completion of the above transactions, the Group retained only 19.3419% equity interests of Portspin; and it has lost control over Portspin Group. The Group has determined that it has joint control over Portspin Group after the disposal date as decisions regarding the relevant activities of Portspin Group require unanimous consent from the Group and Trophy. The retained 19.3419% interest in Portspin has been accounted for as an interest in joint venture using the equity method of accounting since the date of disposal of 51% equity interest in Portspin and the subsequent formation of joint venture in Portspin.

Upon the completion of the acquisition of the non-controlling interests in the Group's various subsidiaries (see above), these subsidiaries have become wholly-owned subsidiaries of the Group. The excess of RMB120 million of (i) the aggregate carrying amount of non-controlling interests in these subsidiaries amounting to RMB1,538 million over (ii) the fair value of the consideration paid by the Group for the acquisition of the non-controlling interests, that includes the sum of the followings, has been recognised as a credit in the equity attributable to the holders of the Company (see "other reserve" in the consolidated statement of changes in equity):

- fair value of 31.6581% interest in Portspin as at 5 September 2014, amounting to RMB75 million, plus
- fair value of net shareholder's loan receivable (net of payables) assigned to Trophy, amounting to RMB1,519 million, plus
- fair value of the put option exercisable by Trophy less fair value of the conditional call option as at 5 September 2014, amounting to nil.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 38. Acquisitions and Disposals (Continued)

### (d) Disposal of subsidiaries and acquisition of non-controlling interests of subsidiaries (Continued)

The following net assets of Portspin Group were derecognised at the date of disposal of 31.6581% equity interests of Portspin:

| | RMB'million |
|---|---|
| Properties under development for sale | 5,257 |
| Bank balances and cash | 303 |
| Other payables | (248) |
| Amounts due to shareholders | (5,161) |
| Net assets of Portspin Group derecognised | 151 |
| Non-controlling interests derecognised | (119) |
| | 32 |
| | |
| Fair value of the consideration received, estimated using fair value of 31.6581% equity interests of Portspin | 75 |
| Add: fair value of the retained 19.3419% equity interest in Portspin | 40 |
| Net assets of Portspin Group less non-controlling interests derecognised | (32) |
| Gain on disposal | 83 |
| | |
| Net cash outflow arising on the disposal: | |
| Bank balances and cash disposed of | (303) |

In December 2014, Trophy issued a notice to the Group to inform the Group that it would like to exercise the abovementioned sale option and the Group also issued a notice to Trophy that it would like to exercise the abovementioned purchase option. Upon completion of the exercise of the sale and purchase options which is expected to take place in June 2015, the Group's interest in Portspin will increase from 19.3419% to 39.8624%. The exercise of the sale and purchase options will not change the directorship of Portspin Group further and hence the Portspin Group will continue to be under joint control of the Group after the options are exercised.

### (e) Disposal of 66.7% equity interest in Magic Garden Investments Limited

On 27 August 2014, China Xintiandi Investment Company Limited ("CXI", an indirect wholly-owned subsidiary of the Company), as the seller, and G.E. Hotel (Xintiandi) Limited ("G.E.Hotel", an indirect wholly-owned subsidiary of Great Eagle (see note 24)), as the purchaser, entered into a sale and purchase agreement (the "Agreement") pursuant to which the seller conditionally agreed to dispose of, and G.E. Hotel conditionally agreed to acquire, 66.7% of the equity interests in Magic Garden Investments Limited ("Magic Garden", a 66.7% indirect owned subsidiary of the Company) and the related shareholder's loan, for an aggregate cash consideration of RMB500 million (the "Disposal"). Before the Disposal, G.E. Hotel is the non-controlling shareholder of Magic Garden, that owns 33.3% of the equity interests in Magic Garden. The Disposal was completed on 11 December 2014.

Prior to the date of the Disposal, Magic Garden, indirectly owns 50% equity interest in Shanghai Li Xing, a company established in the PRC. Shanghai Li Xing is the legal owner of Langham Xintiandi Hotel and Andaz Hotel located in Shanghai, the PRC. Pursuant to the contractual arrangements entered into by Magic Garden, Shanghai Li Xing and various other parties in 2010, Magic Garden indirectly beneficially owns the land use rights and building ownership rights pertaining to Langham Xintiandi Hotel whereas the other shareholders of Shanghai Li Xing (that are independent of the Group) beneficially owns the land use rights and building ownership rights pertaining to Andaz Hotel. Accordingly, the Group's consolidated financial statements since 2012 have included the assets, liabilities and equity pertaining to Langham Xintiandi Hotel but have not included the assets, liabilities and equity pertaining to Andaz Hotel.

For more information on the disposal of subsidiaries, please refer to the circular of the Company published on 29 September 2014.

## 38. Acquisitions and Disposals (Continued)

### (e) Disposal of 66.7% equity interest in Magic Garden Investments Limited (Continued)

As part of the terms of agreements for the Disposal, a subsidiary of the Company shall be appointed as an agent to facilitate the completion of the segregation of the land use rights and building ownership rights pertaining to Langham Xintiandi Hotel and Andaz Hotel by way of the demerger of Shanghai Li Xing (the "Demerger") and the Group shall be responsible for two-thirds of the costs arising from the Demerger. In the event that the Demerger is not completed within 3 years (subject to an extension to 4 years if the Group pays G.E.Hotel an extension fee of RMB10 million) after the completion of the Disposal, according to the terms of agreements for the Disposal, the Group shall be responsible to procure the other shareholders of Shanghai Li Xing to sell their entire interest in Shanghai Li Xing to Landton Limited in return for Shanghai Li Xing's entire interest in Andaz Hotel. If the Group is unable to procure the completion of such a transaction, G.E.Hotel will procure Shanghai Li Xing to sell its entire interest in Langham Xintiandi Hotel to a subsidiary of Great Eagle, and the Group will be responsible for two-thirds of all costs, expenses and taxes arising from such transactions. In the opinion of the Directors of the Company, the Demerger is expected to be completed within 3 years after 11 December 2014 and the fair value of the related liability is insignificant at both initial recognition and 31 December 2014.

In addition, according to the terms of the agreement for the Disposal, if any subsidiary of Great Eagle enters into an agreement to sell any interest in Langham Xintiandi Hotel within 6 years after the completion of the Disposal, the Group is entitled to share some of the profits with a cap of RMB10 million, subject to certain conditions to be met. In the opinion of the Directors of the Company, any possible derivative asset arising from such a right will be insignificant.

The net assets of the disposed subsidiaries at the date of the Disposal were as follows:

| | RMB'million |
|---|---|
| Net assets disposed of: | |
| Investment properties | 204 |
| Property, plant and equipment | 1,641 |
| Pledged bank deposits | 171 |
| Accounts receivable, deposits and prepayments | 18 |
| Bank balances and cash | 6 |
| Accounts payable, deposits received and accrued charges | (94) |
| Amounts due to related companies | (3) |
| Loan from a non-controlling shareholder of the Company | (266) |
| Amount due to the Group | (411) |
| Secured bank borrowings – due within one year | (276) |
| Secured bank borrowings – due after one year | (740) |
| Deferred tax liabilities | (97) |
| | 153 |
| Loss on disposal of subsidiaries: | |
| Cash consideration received | 500 |
| Shareholder's loan assigned | (411) |
| Less: Transaction costs | (3) |
| Less: Net assets disposed of | (153) |
| Add: Non-controlling interests | 51 |
| | (16) |
| Net cash inflow arising on the disposal: | |
| Cash consideration received, net of transaction costs | 497 |
| Less: Bank balances and cash disposed of | (6) |
| | 491 |

During the year ended 31 December 2014, included in the Group's turnover and the Group's profit for the year are turnover of RMB237 million and a net loss of RMB93 million respectively attributable to Magic Garden and its subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 38. Acquisitions and Disposals (Continued)

### (f) Disposal of entire equity interest in Pacific Gain Limited

During the year ended 31 December 2014, the Group disposed of the entire equity interest in Pacific Gain Limited, of which its wholly-owned subsidiary engaged in property management in Hangzhou, the PRC, to an independent third party for an aggregate cash consideration of RMB53 million. The net assets of the disposed subsidiaries at the date of disposal were as follows:

| | RMB'million |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | 21 |
| Accounts receivables | 6 |
| Bank balances and cash | 14 |
| Other payables | (12) |
| | 29 |
| Gain on disposal | 24 |
| Total consideration | 53 |
| | |
| Net cash inflow arising on the disposal: | |
| Cash consideration received | 53 |
| Less: Bank balances and cash disposed of | (14) |
| | 39 |

### (g) Disposals of subsidiaries in prior year

During the year ended 31 December 2013, the Group disposed of its entire equity interest in Sinothink Holdings Limited ("Sinothink") and its subsidiaries which were engaged in property investment in Shanghai, the PRC, to an independent third party for a cash consideration of RMB3,319 million. The assets and liabilities disposed of in the transaction were as follows:

| | RMB'million |
|---|---|
| Net assets disposed of: | |
| Investment properties | 4,300 |
| Property, plant and equipment | 3 |
| Bank balances and cash | 102 |
| Other payables and accrued charges | (326) |
| Bank borrowings | (591) |
| Deferred tax liabilities | (346) |
| | 3,142 |
| Gain on disposal of subsidiaries: | |
| Cash consideration received | 3,319 |
| Less: Transaction costs | (39) |
| Less: Net assets disposed of | (3,142) |
| Add: Non-controlling interests | 21 |
| | 159 |
| | |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 3,319 |
| Less: Transaction costs | (39) |
| Less: Bank balances and cash disposed of | (102) |
| | 3,178 |

## 38. Acquisitions and Disposals (Continued)

### (g) Disposals of subsidiaries in prior year (Continued)

Included in the profit for the year ended 31 December 2013 is profit of RMB398 million attributable to the disposed subsidiaries. The disposed subsidiaries do not contribute any turnover to the Group during the year ended 31 December 2013.

As a result of the finalisation of the net asset value of the disposed subsidiaries, an additional consideration of RMB45 million was received and recognised as a gain during the year ended 31 December 2014.

In accordance with the sale and purchase agreement on the disposal of Sinothink, the Group has the option to repurchase all the shares of Sinothink during the certain periods of time within 7 years from 18 December 2013, at (i) the original consideration plus 9% per annum rate of return in cash, or (ii) at the original consideration plus 9.5% per annum rate of return in cash and shares of China Xintiandi, if the China Xintiandi's shares are listed on the Stock Exchange or any stock exchange agreed by the counterparties and China Xintiandi holds certain specific property assets in Shanghai. In the opinion of the Directors of the Company, the fair value of the option to repurchase the share of Sinothink is insignificant at initial recognition and at the end of the reporting period.

## 39. Share-Based Payment Transactions

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to Directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At 31 December 2014, 106,199,404 share options (2013: 136,530,711 share options) remains outstanding under the Scheme, representing 1.3% (2013: 1.7%) of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

The vesting period and the exercisable period of the share options granted to eligible employees and Directors on 18 January 2012 are as follows:

| | Vesting period | Exercisable period |
|---|---|---|
| The first 50% of the grant: | From date of grant to 27 June 2013 | From 28 June 2013 to 17 January 2020 |
| The second 25% of the grant: | From date of grant to 31 December 2013 | From 1 January 2014 to 17 January 2020 |
| The last 25% of the grant: | From date of grant to 31 December 2014 | From 1 January 2015 to 17 January 2020 |

The vesting period and the exercisable period of the share options granted to eligible employees and Directors for the remaining grants are as follows:

| | Vesting period | Exercisable period |
|---|---|---|
| The first 1/7 of the grant: | From date of grant to the 2nd anniversary | From the 2nd to the 7th anniversary of the date of grant |
| The second 1/7 of the grant: | From date of grant to the 3rd anniversary | From the 3rd to the 8th anniversary of the date of grant |
| The third 1/7 of the grant: | From date of grant to the 4th anniversary | From the 4th to the 9th anniversary of the date of grant |
| The fourth 1/7 of the grant: | From date of grant to the 5th anniversary | From the 5th to the 9th anniversary of the date of grant |
| The fifth 1/7 of the grant: | From date of grant to the 6th anniversary | From the 6th to the 9th anniversary of the date of grant |
| The sixth 1/7 of the grant: | From date of grant to the 7th anniversary | From the 7th to the 9th anniversary of the date of grant |
| The last 1/7 of the grant: | From date of grant to the 8th anniversary | From the 8th to the 9th anniversary of the date of grant |

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## 39. Share-Based Payment Transactions (Continued)

The vesting period and the exercisable period of the share options granted to a consultant are as follows:

| | Vesting period | Exercisable period |
|---|---|---|
| The first 1/5 of the grant: | Unconditional and fully vested at the date of grant | Before the 5th anniversary of the date of grant |
| The second 1/5 of the grant: | From date of grant to the 1st anniversary | Before the 6th anniversary of the date of grant |
| The third 1/5 of the grant: | From date of grant to the 2nd anniversary | Before the 7th anniversary of the date of grant |
| The fourth 1/5 of the grant: | From date of grant to the 3rd anniversary | Before the 8th anniversary of the date of grant |
| The last 1/5 of the grant: | From date of grant to the 4th anniversary | Before the 9th anniversary of the date of grant |

The Group has recognised the total expense of RMB6 million (2013: RMB11 million) in the profit or loss in relation to share options granted by the Company.

During the years ended 31 December 2014 and 31 December 2013, none of the share options have been exercised.

The movement in the Company's share options is set out below:

| | | Number of options | | | |
|---|---|---|---|---|---|
| Date of grant | Exercise price HK$ (note) | At 1 January 2014 | Granted during the year | Lapsed during the year | At 31 December 2014 |
| 20 June 2007 | 6.45 | 59,872,138 | – | (16,688,392) | 43,183,746 |
| 1 August 2007 | 7.54 | 780,144 | – | (146,999) | 633,145 |
| 2 October 2007 | 9.22 | 1,049,032 | – | (685,840) | 363,192 |
| 1 November 2007 | 10.86 | 412,400 | – | (99,601) | 312,799 |
| 3 December 2007 | 9.11 | 106,365 | – | (18,212) | 88,153 |
| 2 January 2008 | 8.27 | 2,732,140 | – | (314,818) | 2,417,322 |
| 1 February 2008 | 7.42 | 881,413 | – | (401,811) | 479,602 |
| 3 March 2008 | 7.08 | 427,852 | – | (65,878) | 361,974 |
| 2 May 2008 | 7.31 | 3,796,477 | – | (498,319) | 3,298,158 |
| 2 June 2008 | 6.77 | 9,064,413 | – | (1,709,869) | 7,354,544 |
| 2 July 2008 | 5.95 | 399,934 | – | (119,820) | 280,114 |
| 4 September 2009 | 4.52 | 12,694,099 | – | (3,376,717) | 9,317,382 |
| 18 January 2012 | 2.41 | 13,303,687 | – | (2,998,800) | 10,304,887 |
| 3 September 2012 | 4.93 | 31,010,617 | – | (3,206,231) | 27,804,386 |
| | | 136,530,711 | – | (30,331,307) | 106,199,404 |
| Categorised as: | | | | | |
| Directors | | 14,641,916 | – | (7,532,190) | 7,109,726 |
| Consultant | | 651,000 | – | (217,000) | 434,000 |
| Employees | | 121,237,795 | – | (22,582,117) | 98,655,678 |
| | | 136,530,711 | – | (30,331,307) | 106,199,404 |
| Number of options exercisable | | 73,938,553 | | | 71,843,210 |

## 39. Share-Based Payment Transactions (Continued)

| | | Number of options | | | | |
|---|---|---|---|---|---|---|
| Date of grant | Exercise price HK$ (note) | At 1 January 2013 | Adjustment in respect of Rights Issue (note) | Granted during the year | Lapsed during the year | At 31 December 2013 |
| 20 June 2007 | 6.45 | 61,510,444 | 5,123,811 | – | (6,762,117) | 59,872,138 |
| 1 August 2007 | 7.54 | 784,457 | 64,847 | – | (69,160) | 780,144 |
| 2 October 2007 | 9.22 | 1,574,269 | 130,093 | – | (655,330) | 1,049,032 |
| 1 November 2007 | 10.86 | 448,212 | 38,069 | – | (73,881) | 412,400 |
| 3 December 2007 | 9.11 | 101,481 | 8,609 | – | (3,725) | 106,365 |
| 2 January 2008 | 8.27 | 2,724,178 | 226,486 | – | (218,524) | 2,732,140 |
| 1 February 2008 | 7.42 | 857,590 | 69,013 | – | (45,190) | 881,413 |
| 3 March 2008 | 7.08 | 451,549 | 33,954 | – | (57,651) | 427,852 |
| 2 May 2008 | 7.31 | 3,761,937 | 306,484 | – | (271,944) | 3,796,477 |
| 2 June 2008 | 6.77 | 9,754,376 | 732,356 | – | (1,422,319) | 9,064,413 |
| 2 July 2008 | 5.95 | 445,679 | 32,997 | – | (78,742) | 399,934 |
| 4 September 2009 | 4.52 | 14,531,719 | 1,131,994 | – | (2,969,614) | 12,694,099 |
| 18 January 2012 | 2.41 | 39,761,000 | 3,256,520 | – | (29,713,833) | 13,303,687 |
| 3 September 2012 | 4.93 | 36,427,297 | 2,964,847 | – | (8,381,527) | 31,010,617 |
| | | 173,134,188 | 14,120,080 | – | (50,723,557) | 136,530,711 |
| Categorised as: | | | | | | |
| Directors | | 22,209,652 | 1,879,535 | – | (9,447,271) | 14,641,916 |
| Consultant | | 800,000 | 68,000 | – | (217,000) | 651,000 |
| Employees | | 150,124,536 | 12,172,545 | – | (41,059,286) | 121,237,795 |
| | | 173,134,188 | 14,120,080 | – | (50,723,557) | 136,530,711 |
| Number of options exercisable | | 53,817,874 | | | | 73,938,553 |

Note:
The number and exercise price of the outstanding share options were adjusted as a result of completion of the Rights Issue.

## 40. Pledge of Assets

The following assets are pledged to banks as securities to obtain certain banking facilities at the end of the reporting period:

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| Investment properties | 47,744 | 43,276 |
| Property, plant and equipment | 796 | 2,758 |
| Prepaid lease payments | 131 | 451 |
| Properties under development for sale | 3,794 | 10,600 |
| Properties held for sale | 632 | 88 |
| Accounts receivable | 43 | 41 |
| Bank deposits | 3,291 | 3,571 |
| | 56,431 | 60,785 |

In addition, the equity interests in certain subsidiaries with carrying amount of net assets of RMB20,625 million (2013: RMB24,710 million) are also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

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## 41. Lease Arrangements

### As lessor

Property rental income in respect of the investment properties earned of RMB1,163 million (2013: RMB1,048 million), net of outgoings of RMB158 million (2013: RMB162 million), is RMB1,005 million (2013: RMB886 million). The investment properties held have committed tenants for the next one to fifteen years at fixed rentals. Included in the property rental income, certain leases contain contingent rental income recognised during the year ended 31 December 2014 amounting to RMB23 million (2013: RMB23 million). These contingent rentals are generally based on specified percentages of turnover of the tenants.

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

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---:|---:|
| Within one year | 1,149 | 995 |
| In the second to fifth years inclusive | 1,788 | 1,297 |
| Over five years | 141 | 109 |
| | 3,078 | 2,401 |

### As lessee

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---:|---:|
| Within one year | 23 | 26 |
| In the second to fifth years inclusive | 12 | 61 |
| Over five years | – | 38 |
| | 35 | 125 |

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to five years.

## 42. Commitments and Contingencies

### (a) Capital and other commitments

(i) At the end of the reporting period, the Group has the following commitments:

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| *Contracted but not provided for:* | | |
| Development costs for investment properties under construction or development | 6,282 | 7,250 |
| Development costs for properties under development held for sale | 6,329 | 4,969 |
| Acquisition of investment properties through acquisition of a company | 118 | – |
| Acquisition of additional interest in a joint venture (note 38(d)) | 991 | – |
| | 13,720 | 12,219 |

(ii) Pursuant to an agreement entered into with the 上海市虹口區衛生局 of the Hongkou District, Shanghai, the PRC on 20 June 2006, the Group had committed to build a hospital to be located in the Rui Hong Xin Cheng area of the Hongkou District as compensation for the removal of those medical and health care services originally located in that area. As at 31 December 2014 and 31 December 2013, no construction contracts related to the hospital have been entered into. No provision for the construction costs has been made in the consolidated financial statements as the amount cannot be measured reliably.

### (b) Contingent liabilities

Financial guarantee contracts:

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (2013: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2014 and 31 December 2013, such arrangement has not taken place.

(ii) As at 31 December 2014, the Group has provided a guarantee to (a) a joint venture which was formed between Richcoast and Mitsui and (b) Mitsui for an aggregate amount not exceeding RMB311 million (2013: RMB345 million) in respect of Richcoast's payment obligations to the joint venture and Mitsui.

(iii) As at 31 December 2014, the Group has issued a financial guarantee to an independent third party in respect of an outstanding amount due from a subsidiary of an associate. The maximum amount that could be paid by the Group if the guarantee was called upon is RMB192 million.

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the consolidated statement of financial position as at 31 December 2014 and 31 December 2013. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 43. Related Party Transactions

Apart from the related party transactions and balances as stated in notes 10, 17, 18, 22, 23, 26, 38 and 42, the Group has the following transactions with related companies during the year:

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| **SOCL and its subsidiaries other than those of the Group** | | |
| Rental and building management fee expenses | 4 | 4 |
| Travelling expenses | 11 | 8 |
| Interest expenses | – | 1 |
| | | |
| **SOCAM and its subsidiaries, being associates of SOCL** | | |
| Project construction costs | 441 | 455 |
| Revenue from construction services | 80 | – |
| | | |
| **Associates** | | |
| Project management fee income | 16 | 20 |
| Imputed interest income | 42 | 51 |
| Interest income | 83 | 65 |
| | | |
| **Joint ventures** | | |
| Rental and building management fee income | – | 2 |
| Project management fee income | 4 | – |
| Interest income | 63 | 20 |
| | | |
| **Directors** | | |
| Property sales | – | 25 |
| | | |
| **Key management personnel** | | |
| Property sales | 6 | 9 |
| | | |
| Short-term benefits | 71 | 58 |
| Post-employment benefits | 4 | 1 |
| Share-based payments | 2 | 4 |
| | 77 | 63 |

## 44. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes bank and other borrowings, convertible bonds and senior notes disclosed in notes 27, 30 and 31, respectively net of bank balances and cash, restricted bank deposits and pledged bank deposits, and equity comprising issued share capital and reserves, convertible perpetual securities, perpetual capital securities and other non-controlling shareholders of subsidiaries.

The Directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the excess of the sum of convertible bonds, senior notes, bank and other borrowings over the sum of bank balances and cash (inclusive of restricted bank deposits and pledged bank deposits) by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

The gearing ratios at the end of reporting dates are as follows:

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| Bank and other borrowings | 28,409 | 24,366 |
| Convertible bonds | 419 | 395 |
| Senior notes | 19,137 | 10,330 |
| Pledged bank deposits | (3,291) | (3,571) |
| Restricted bank deposits | (2,471) | (1,231) |
| Bank balances and cash | (6,668) | (5,378) |
| Net debt | 35,535 | 24,911 |
| Total equity | 44,922 | 42,174 |
| Net debt to total equity | 79% | 59% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 45. Financial Instruments

### (a) Categories of financial instruments

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including bank balances and cash) | 15,811 | 14,203 |
| **Financial liabilities** | | |
| Derivative financial instruments | 303 | 105 |
| Amortised cost | 53,912 | 43,982 |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include loans to associates, loans to joint ventures, accounts receivable, amounts due from associates, amounts due from related companies, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, restricted bank deposits, bank balances and cash, accounts payable, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, bank and other borrowings, convertible bonds, senior notes, derivative financial instruments and liabilities arising from rental guarantee arrangements.

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

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

#### Currency risk

All of the Group's turnover is denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

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

| | 2014 RMB'million | 2013 RMB'million |
|---|---|---|
| **HK$** | | |
| Assets | 2,951 | 1,342 |
| Liabilities | 7,042 | 8,445 |
| **US$** | | |
| Assets | 2,847 | 326 |
| Liabilities | 17,420 | 9,006 |
| **SGD** | | |
| Liabilities | 1,197 | 1,238 |

## 45. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

Currency risk (Continued)

*Sensitivity analysis*

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

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

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

| | Notes | 2014 RMB'million | 2013 RMB'million |
|---|---|---|---|
| **HK$** | | | |
| Profit or loss | (i) | 195 | 338 |
| **US$** | | | |
| Profit or loss | (ii) | 683 | 413 |
| **SGD** | | | |
| Profit or loss | (iii) | N/A | N/A |

Notes:
(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in HK$ not subject to cash flow hedges at the end of the reporting period.
(ii) This is mainly attributable to the exposure outstanding on receivables, payables and senior notes denominated in US$ not subject to cash flow hedges at the end of the reporting period.
(iii) Sensitivity to fluctuation of SGD aganist RMB is not presented because the senior notes denominated in SGD are subject to cash flow hedges at the end of the reporting period.

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

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank and other borrowings and loans from non-controlling shareholders of subsidiaries at variable rates.

The Group's fair value interest rate risk relates primarily to fixed rate senior notes (see note 31 for details of the senior notes).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR, SIBOR, and PBOC prescribed interest rate arising from the Group's HK$, US$ and RMB borrowings. In order to mitigate the cash flow interest rate risk in respect of the bank and other borrowings, the Group has entered into several interest rate swaps (which have been designated as hedging instruments) whereby the Group will receive interest at variable rates at HIBOR, LIBOR or PBOC and pay interests at fixed rates. Details of the interest rate swaps are set out in note 34.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 45. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank and other borrowings and loans from non-controlling shareholders of subsidiaries, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables are held constant, the Group's profit for the year ended 31 December 2014 would decrease/increase by RMB62 million (2013: RMB41 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings, after taking into consideration the effects of the interest rate swaps designated as hedging instruments and capitalisation of interest costs.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 42.

The Group's credit risk is primarily attributable to its loans to associates, loans to joint ventures, accounts receivable, amounts due from associates and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2014 where the largest debtor amounting to approximately RMB193 million arising from sales of properties, loans to associates of RMB1,804 million, loans to joint ventures of RMB1,735 million and amounts due from associates of RMB1,242 million (2013: the largest debtor amounting to approximately RMB313 million arising from sales of properties, loans to associates of RMB1,654 million, loan to a joint venture of RMB675 million and amounts due from associates of RMB564 million).

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

Liquidity risk

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

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

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

# 45. Financial Instruments (Continued)

## (b) Financial risk management objectives and policies (Continued)

### Liquidity risk (Continued)

*Liquidity and interest risk tables*

| | Weighted average effective interest rate | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total undiscounted cash flows | Carrying amount at 31 December 2014 |
|---|---|---|---|---|---|---|---|
| | % | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million |
| 2014 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Accounts payable, deposits received and accrued charges | – | 5,024 | 24 | 48 | – | 5,096 | 5,096 |
| Bank and other borrowings at variable rates | 6.1% | 7,390 | 11,565 | 12,428 | 837 | 32,220 | 28,409 |
| Convertible bonds | 10.7% | 453 | – | – | – | 453 | 419 |
| Senior notes | 8.9% | 6,574 | 1,222 | 14,857 | 1,299 | 23,952 | 19,137 |
| Amounts due to related companies | – | 240 | – | – | – | 240 | 240 |
| Amounts due to non-controlling shareholders of subsidiaries | – | 10 | – | – | – | 10 | 10 |
| Loans from non-controlling shareholders of subsidiaries | 7.04% | – | – | 83 | – | 83 | 70 |
| Financial guarantee contracts (note a) | – | 503 | – | – | – | 503 | – |
| Rental guarantee (note b) | – | 282 | 370 | 844 | 700 | 2,196 | 531 |
| | | 20,476 | 13,181 | 28,260 | 2,836 | 64,753 | 53,912 |
| Derivatives – net settlement | | | | | | | |
| Cash flow hedge instruments | – | 214 | 89 | – | – | 303 | 303 |

| | Weighted average effective interest rate | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total undiscounted cash flows | Carrying amount at 31 December 2013 |
|---|---|---|---|---|---|---|---|
| | % | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million |
| 2013 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Accounts payable, deposits received and accrued charges | – | 5,064 | – | – | – | 5,064 | 5,064 |
| Bank and other borrowings at variable rates | 6.0% | 7,540 | 9,346 | 9,806 | 952 | 27,644 | 24,366 |
| Convertible bonds | 10.7% | 20 | 453 | – | – | 473 | 395 |
| Senior notes | 9.0% | 883 | 10,472 | – | – | 11,355 | 10,330 |
| Amounts due to related companies | – | 411 | – | – | – | 411 | 411 |
| Amounts due to non-controlling shareholders of subsidiaries | – | 634 | – | – | – | 634 | 634 |
| Loans from non-controlling shareholders of subsidiaries | 6.8% | 139 | 2,478 | 370 | – | 2,987 | 2,605 |
| Financial guarantee contracts (note a) | – | 345 | – | – | – | 345 | – |
| Rental guarantee arrangements (note b) | – | 136 | 171 | 385 | 87 | 779 | 177 |
| | | 15,172 | 22,920 | 10,561 | 1,039 | 49,692 | 43,982 |
| Derivatives – net settlement | | | | | | | |
| Cash flow hedge instruments | – | 105 | – | – | – | 105 | 105 |

Notes:

a. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

b. The amounts included above relate to the rental guarantee arrangements entered into by the Group (see note 35). In respect of the compensation for the current year, the amounts above represent the actual amount. In respect of the remaining guarantee period for 2015 and beyond, the amounts represents the maximum amounts the Group could be required to settle as if there was no operating income to be generated by the disposed properties. Based on the expectations at the end of the reporting period, the Group considers that it is more likely that a much lower amount will be payable under the arrangements as some of the properties have been generating rental income. In addition, as mentioned in note 35, liabilities arising on rental guarantee arrangements are measured at fair value at the end of the reporting period. However, this estimate is subject to change depending on the future rental income that will be generated from the properties.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 45. Financial Instruments (Continued)

### (c) Fair value measurement

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

The Group's derivative financial instruments are measured at fair value at the end of the reporting period and they are grouped under Level 2 financial instruments based on the degree to which the fair value is observable.

The Group's interest rate swaps amounting to RMB7 million (2013: RMB7 million) are measured at the present value of future cash flows, estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

The Group's cross currency swaps amounting to RMB232 million (2013: RMB98 million) are measured at the present value of future cash flows, estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Group's liabilities arising from rental guarantee arrangements that are measured at fair value at the end of the reporting period are grouped under Level 3. The fair value of the liabilities is estimated based on Monte-Carlo simulation using key inputs as disclosed in note 35. The higher the estimated office unit rental and occupancy rate, the lower the fair value of the liabilities arising from rental guarantee arrangements. The higher the discount rate, the lower the fair value of the liabilities arising from rental guarantee arrangements.

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

## 46. Summarised Financial Position of the Company

| | 2014<br>RMB'million | 2013<br>RMB'million |
|---|---|---|
| Investments in subsidiaries | 4,375 | 4,375 |
| Loan to a subsidiary | 10,769 | 10,140 |
| Amounts due from subsidiaries | 1,565 | 1,785 |
| Other prepayment | 23 | 22 |
| Restricted bank balances | 100 | – |
| Bank balances | 2 | 145 |
| Total assets | 16,834 | 16,467 |
| | | |
| Warrants | 64 | – |
| Convertible bonds | 419 | 395 |
| Total liabilities | 483 | 395 |
| Net assets | 16,351 | 16,072 |
| | | |
| Share capital | 145 | 145 |
| Reserves (note) | 16,206 | 15,927 |
| Total equity | 16,351 | 16,072 |

## 46. Summarised Financial Position of the Company (Continued)

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

| | Share premium | Convertible bond equity reserve | Other Reserve | Share option reserve | Accumulated losses | Total |
|---|---|---|---|---|---|---|
| | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million |
| At 1 January 2013 | 15,152 | 605 | 483 | 188 | (3,133) | 13,295 |
| Profit and total comprehensive income for the year | – | – | – | – | 116 | 116 |
| Issue of new shares under rights issue | 2,906 | – | – | – | – | 2,906 |
| Share issue expenses | (38) | – | – | – | – | (38) |
| Recognition of equity-settled share-based payment expenses | – | – | – | 11 | – | 11 |
| Total dividends of HK$0.057 per share paid, comprising 2012 final dividend of HK$0.035 per share and 2013 interim dividend of HK$0.022 per share | – | – | – | – | (363) | (363) |
| Repurchase and redemption of convertible bonds | – | (509) | – | – | 509 | – |
| At 31 December 2013 | 18,020 | 96 | 483 | 199 | (2,871) | 15,927 |
| Profit and total comprehensive income for the year | – | – | – | – | 644 | 644 |
| Recognition of equity-settled share-based payment expenses | – | – | – | 6 | – | 6 |
| Total dividends of HK$0.062 per share paid, comprising 2013 final dividend of HK$0.04 per share and 2014 interim dividend of HK$0.022 per share | – | – | – | – | (395) | (395) |
| Deemed contribution from a subsidiary | – | – | 24 | – | – | 24 |
| At 31 December 2014 | 18,020 | 96 | 507 | 205 | (2,622) | 16,206 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 47. Particulars of the Subsidiaries

Particulars of the Company's subsidiaries at 31 December 2014 and 31 December 2013 are as follows:

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held 2014 (note 1) | 2013 | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| Ally Victory Limited | BVI 18 April 2008 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Atlantic Best Limited | Hong Kong 5 January 2001 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Beaming Leader Limited | BVI 5 October 2012 | 7,000 A ordinary shares of US$1 each and 3,000 B ordinary shares of US$1 each | 76.6% | 70% | Hong Kong | Investment holding |
| Best Scene Retail Asset Management (Hong Kong) Limited | Hong Kong 4 April 2011 | HK$1 | 76.6% | 70% | Hong Kong | Investment holding |
| Best View Development Limited | Hong Kong 5 March 2008 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Big Glory (HK) Limited | Hong Kong 24 February 2014 | HK$1 | 100% | – | Hong Kong | Investment holding |
| Billion China Investments Limited (Note 5) | BVI 18 October 2007 | 10 A ordinary shares of US$1 each and 10 B ordinary shares of US $1 each | A shares: 51% B shares: 100% | A shares: 51% B shares: 100% | Hong Kong | Investment holding |
| Billion World Limited | Hong Kong 19 November 2003 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Bondwise Profits Limited | BVI 28 December 2000 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Bright Continental Limited | Hong Kong 5 March 2003 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Bright Power Enterprises Limited | BVI 1 July 2004 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Brixworth International Limited | BVI 3 January 2001 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Central Fit Investments Limited | BVI 23 October 2007 | 10 ordinary shares of US$1 each | 100% | 100% | Hong Kong | Investment holding |
| Century Team Limited | Hong Kong 16 January 1998 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Champion Ally Limited | BVI 11 February 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Chinalink Capital Limited | BVI 16 July 2003 | 999 ordinary shares of US$1 each | 100% | 100% | Hong Kong | Dormant |
| China Advance Limited | Hong Kong 13 November 2006 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| China KC Investment Management (Hong Kong) Limited | Hong Kong 22 January 2014 | HK$1 | 100% | – | Hong Kong | Dormant |
| China KC Investment Management Limited | Cayman Islands 5 September 2014 | 1 ordinary share of US$0.01 | 100% | – | Hong Kong | Dormant |
| China KC Principal Partner Limited | Cayman Islands 5 September 2014 | 1 ordinary share of US$0.01 | 100% | – | Hong Kong | Dormant |
| China Knowledge Community Development (Holding) Limited | Cayman Islands 5 September 2014 | 1 ordinary share of US$0.01 | 100% | – | Hong Kong | Investment holding |
| China Knowledge Community Limited | Cayman Islands 5 September 2014 | 1 ordinary share of US$0.01 | 100% | – | Hong Kong | Investment holding |

## 47. Particulars of the Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held 2014 (note 1) | Attributable equity interest held 2013 (note 1) | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| China Wealth (H.K.) Limited | Hong Kong 4 January 2006 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| China Xintiandi Commercial Assets Limited | Cayman Islands 21 March 2014 | 1 ordinary share of US$0.01 | 100% | – | Hong Kong | Investment holding |
| China Xintiandi Company Limited | BVI 21 March 2011 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| China Xintiandi Limited | Cayman Islands 18 April 2011 | 1 ordinary share of US$0.01 | 100% | 100% | Hong Kong | Investment holding |
| China Xintiandi Development Company Limited | Cayman Islands 3 November 2011 | 1 ordinary share of US$0.01 | 100% | 100% | Hong Kong | Investment holding |
| China Xintiandi Holding Company Limited | Cayman Islands 27 October 2011 | 1,000,000 ordinary shares of US$0.001 each | 100% | 100% | Hong Kong | Investment holding |
| China Xintiandi Enterprise Limited | Cayman Islands 3 April 2014 | 1 ordinary share of US$0.01 | 100% | – | Hong Kong | Investment holding |
| China Xintiandi Investment Company Limited | Cayman Islands 27 October 2011 | 1 ordinary share of US$0.01 | 100% | 100% | Hong Kong | Investment holding |
| China Xintiandi Management (Hong Kong) Limited | Hong Kong 12 October 2012 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| China Xintiandi Property Company Limited | Cayman Islands 27 October 2011 | 1 ordinary share of US$0.01 | 100% | 100% | Hong Kong | Investment holding |
| Chongqing Shui On Tiandi Property Development Co. Ltd. | PRC 21 November 2003 | Registered and paid up capital US$385,000,000 | 99% | 79.4% | PRC | Property development and property investment |
| Citichamp Limited | Hong Kong 19 July 2006 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Cititop Pacific Limited | Hong Kong 1 December 2000 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Clear Max Enterprises Limited | BVI 15 January 2008 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Costworth Investments Limited | BVI 12 January 2001 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Crown Fame Limited | Hong Kong 18 October 2007 | HK$1 | 51% | 51% | Hong Kong | Investment holding |
| Cybricity Limited | Hong Kong 28 April 2000 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Dalian Yingjia Science and Technology Development Co., Ltd. | PRC 3 December 2009 | Registered and paid up capital US$23,000,000 | 100% | 100% | PRC | Science and Technology development |
| East Capital Development Limited | Hong Kong 18 April 2008 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| East Trend Limited | Hong Kong 14 February 2001 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Eastern View Limited | Hong Kong 18 October 2007 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Ever Finance International Limited | BVI 27 February 2013 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Excel Efficient Limited | BVI 19 August 2002 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Excellent Goal Limited | Hong Kong 16 January 2014 | HK$1 | 100% | – | Hong Kong | Dormant |
| Excellent Hope Limited | Hong Kong 5 February 2014 | HK$1 | 100% | – | Hong Kong | Dormant |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 47. Particulars of the Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held 2014 (note 1) | Attributable equity interest held 2013 (note 1) | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| Excellent Win Enterprises Limited | Hong Kong 5 February 2010 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Famous Scene Holdings Limited | BVI 13 December 2007 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Fast China Limited | BVI 23 April 2008 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Feng Cheng Property Management Services Limited | Hong Kong 14 November 2003 | HK$100 | 100% | 100% | Hong Kong | Investment holding |
| Fieldcity Investments Limited | BVI 30 March 2005 | 100 ordinary shares of US$1 each | 100% | 75% | Hong Kong | Investment holding |
| Firm Gain Investments Limited | BVI 26 July 2011 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Focus Top Limited | Hong Kong 24 April 1998 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Foresight Profits Limited | BVI 8 February 2001 | 10,000 ordinary shares of US$1 each | 100% | 79.81% | Hong Kong | Investment holding |
| Fo Shan An Ying Property Development Co., Ltd. | PRC 8 January 2008 | Registered and paid up capital RMB830,000,000 | 100% | 100% | PRC | Property development |
| Fo Shan Rui Dong Property Development Co., Ltd. | PRC 25 April 2008 | Registered and paid up capital RMB1,290,000,000 | 100% | 100% | PRC | Property development |
| Fo Shan Rui Fang Property Development Co., Ltd. | PRC 21 May 2008 | Registered and paid up capital RMB690,000,000 | 100% | 100% | PRC | Property development |
| Fo Shan Rui Kang Tian Di Property Development Co., Ltd. | PRC 21 May 2008 | Registered and paid up capital RMB690,000,000 | 100% | 100% | PRC | Property development |
| Fo Shan Shui On Property Development Co., Ltd. | PRC 8 January 2008 | Registered and paid up capital RMB900,000,000 | 55.9% | 55.9% | PRC | Property development |
| Fo Shan Yi Kang Property Development Co., Ltd. | PRC 8 January 2008 | Registered and paid up capital RMB1,130,000,000 | 100% | 100% | PRC | Property development |
| Fo Shan Yi Kang Hotel Management Co., Ltd. | PRC 8 August 2011 | Registered and paid up capital RMB5,000,000 | 100% | 100% | PRC | Hotel management |
| Fo Shan Yong Rui Tian Di Property Development Co., Ltd. | PRC 21 March 2008 | Registered and paid up capital RMB690,000,000 | 100% | 54.92% | PRC | Property development |
| Fo Shan Yuan Kang Property Development Co., Ltd. | PRC 29 February 2008 | Registered and paid up capital RMB700,000,000 | 100% | 100% | PRC | Property development |
| Fo Shan Shui On Tiandi Trading Co., Ltd. | PRC 3 August 2010 | Registered and paid up capital RMB1,000,000 | 100% | 100% | PRC | Retail business |
| Fuhui Limited | BVI 1 April 2010 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Gains Ally Limited | BVI 3 May 2013 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Galore Profits Limited | BVI 23 January 2001 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |

## 47. Particulars of the Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held 2014 | (note 1) 2013 | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| Global Ocean Investments Limited | BVI 1 November 2002 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Globaland Limited | Hong Kong 30 October 2002 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Globe State Properties Limited | BVI 12 October 2005 | 100 ordinary shares of US$1 each | 100% | 100% | Hong Kong | Investment holding |
| Glory Advance Investments Limited | BVI 18 August 2006 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Glory Land Investment Limited | Cayman Islands 3 July 2012 | 100 ordinary shares of US$1 each | 51% | 51% | Hong Kong | Investment holding |
| Glory Wing Holdings Limited | BVI 15 January 2008 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Grand Hope Limited (Note 4) | Hong Kong 14 March 2003 | 100 A ordinary shares of HK$1 each and 2 B ordinary shares of HK$1 each | A shares: 100%<br>B shares: 100% | 80.2%<br><br>60.15% | Hong Kong | Investment holding |
| Greatwood Development Limited | Hong Kong 22 April 2013 | HK$1 | 100% | 100% | Hong Kong | Dormant |
| Great Star (H.K.) Limited | Hong Kong 15 October 2013 | HK$1 | 100% | – | Hong Kong | Dormant |
| Hing Tin Investments Limited | BVI 23 October 2007 | 10 ordinary shares of US$1 each | 100% | 100% | Hong Kong | Investment holding |
| Hollyfield Holdings Limited | Mauritius 19 April 2001 | 2 ordinary shares of US$1 each | 100% | 79.81% | Hong Kong | Investment holding |
| Infoshore International Limited | BVI 1 November 2002 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Info Union Limited | Hong Kong 18 October 2007 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Innovate Zone Group Limited | BVI 3 January 2007 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Intellect Profit Investments Limited | BVI 10 August 2007 | 10 ordinary shares of US$1 each | 100% | 100% | Hong Kong | Investment holding |
| Interchina International Limited | BVI 12 January 2001 | 100 ordinary shares of US$1 each | 100% | 100% | Hong Kong | Investment holding |
| Join Legend Limited | Hong Kong 2 June 2006 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Joyous Bond Limited | BVI 18 April 2008 | 1 ordinary share of US$1 | 100% | 79.81% | Hong Kong | Investment holding |
| Keen Allied Investments Limited | BVI 18 September 2002 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| King Concord Limited | Hong Kong 3 October 2006 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Kinmax Limited | Hong Kong 24 April 1998 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Land Pacific Limited | Hong Kong 2 November 2007 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Landson (H.K.) Limited | Hong Kong 5 March 2013 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Landton Limited | Hong Kong 2 April 1997 | HK$2 | – | 66.7% | Hong Kong | Investment holding |

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## 47. Particulars of the Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held 2014 (note 1) | 2013 | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| Legend City Limited (ceased to be a subsidiary in the current year) | Hong Kong 4 June 1997 | HK$2 | 19.3419% | 51% | Hong Kong | Investment holding |
| Lucky Gain Limited | Hong Kong 8 November 2002 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Lucky Mate Development Limited | Hong Kong 15 October 2014 | HK$1 | 100% | – | Hong Kong | Dormant |
| Magic Best Investments Limited | BVI 19 July 2007 | 10 ordinary shares of US$1 each | 100% | 100% | Hong Kong | Investment holding |
| Magic Bright Investments Limited (Note 6) | BVI 18 September 2007 | 10 A ordinary shares of US$1 each and 10 B ordinary shares of US $1 each | A shares: 100%<br>B shares: 100% | A shares: 51%<br>B shares: 100% | Hong Kong | Investment holding |
| Magic Garden Investments Limited | BVI 6 November 2009 | 3 ordinary shares of US$1 each | – | 66.7% | Hong Kong | Investment holding |
| Magic Shine Limited | BVI 3 April 2013 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Marble Way Limited | BVI 28 August 1996 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Merry Wave Limited | BVI 23 April 2008 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Modern Prosper Investments Limited | BVI 1 November 2002 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Mount Eastern Limited | BVI 18 April 2008 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Nation Development Limited | Hong Kong 26 October 2010 | HK$1 | 100% | 100% | Hong Kong | Dormant |
| New Asia Limited | Hong Kong 31 October 2003 | HK$2 | 100% | 100% | Hong Kong | Dormant |
| New Power Profits Limited | BVI 18 October 2005 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| New Venture Enterprises Limited | Hong Kong 26 October 2010 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Next Victory Ventures Limited | BVI 2 July 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Nice In Investments Limited | BVI 18 October 2007 | 10 ordinary shares of US$1 each | 100% | 100% | Hong Kong | Investment holding |
| Onfair Limited | Hong Kong 13 November 2002 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Onwin Limited | Hong Kong 13 November 2002 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| On Target Holdings Limited | BVI 4 March 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Oriental Gain Limited | Hong Kong 2 February 2001 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Oriental Host Limited | Hong Kong 23 October 2007 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Pacific Gain Limited | Hong Kong 11 September 2002 | HK$2 | – | 100% | Hong Kong | Investment holding |
| Pacific Victory Development Limited | Hong Kong 3 April 2014 | HK$1 | 100% | – | Hong Kong | Dormant |
| Pat Daive (China) Limited | Hong Kong 1 November 1994 | HK$2 | 100% | – | Hong Kong | Investment holding |

## 47. Particulars of the Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held 2014 (note 1) | Attributable equity interest held 2013 (note 1) | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| Port Pilot Limited | BVI 25 March 2013 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Portspin Limited (ceased to be a subsidiary in the current year) | BVI 22 May 1997 | 123,980 ordinary shares of US$0.001 each | 19.3419% | 51% | Hong Kong | Investment holding |
| Power Fast Holdings Limited | Hong Kong 11 March 2008 | HK$1 | 100% | – | Hong Kong | Investment holding |
| Princemax Limited | Hong Kong 15 April 1998 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Profit Estate Limited | BVI 30 October 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Profitstock Holdings Limited | BVI 2 June 2005 | 100 ordinary shares of US$1 each | 100% | 100% | Hong Kong | Investment holding |
| Prosper Profit Holding Limited | BVI 6 May 2008 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Regal Victory Limited | Hong Kong 18 October 2007 | HK$1 | 100% | 51% | Hong Kong | Investment holding |
| Radiant Colour Limited | BVI 19 February 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Renown Best Limited | BVI 18 February 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Rich Bright Holdings Limited | BVI 29 July 2011 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Rich Prime Limited | Hong Kong 18 October 2007 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Rightchina Limited | BVI 2 July 2008 | 100 ordinary shares of US$1 each | 100% | 60.15% | Hong Kong | Investment holding |
| Rightidea Limited | BVI 2 July 2008 | 100 ordinary shares of US$1 each | 100% | 80.2% | Hong Kong | Investment holding |
| Rimmer Investments Limited | BVI 22 July 1994 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Rise Lake Investments Limited | BVI 23 August 2007 | 10 ordinary shares of US$1 each | 100% | 100% | Hong Kong | Investment holding |
| Score High Limited | BVI 12 February 2003 | 1,000 ordinary shares of US$1 each | 100% | 80.2% | Hong Kong | Investment holding |
| Selfers Limited | BVI 29 November 1995 | 1 ordinary share of US$1 | 100% | 79.81% | Hong Kong | Investment holding |
| Shanghai Bai-Xing Properties Co., Ltd. | PRC 2 February 1999 | Registered and paid up capital RMB146,761,000 | 100% | 100% | PRC | Property development and property investment |
| Shanghai Cai Xing Properties Development Co., Ltd. | PRC 16 May 2014 | Registered capital RMB2,150,000,000 paid up capital RMB1,746,941,662 | 99% | – | PRC | Property development |
| Shanghai Fu Ji Properties Co., Ltd. | PRC 18 January 2004 | Registered and paid up capital US$35,773,000 | 99% | 99% | PRC | Property development |
| Shanghai Fu-Xiang Properties Co., Ltd. | PRC 19 December 2001 | Registered and paid up capital RMB645,000,000 | 99% | 99% | PRC | Property development and property investment |
| Shanghai Ji-Xing Properties Co., Ltd. | PRC 2 February 1999 | Registered and paid up capital RMB69,452,000 | 100% | 100% | PRC | Property development and property investment |

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## 47. Particulars of the Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held 2014 (note 1) | Attributable equity interest held 2013 (note 1) | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| Shanghai JingFu Property Co., Ltd. | PRC 26 December 2001 | Registered and paid up capital RMB400,000,000 | 99% | 99% | PRC | Property development |
| Shanghai Jiu Hai Rimmer Properties Co., Ltd. ("Shanghai Jiu Hai") | PRC 1 November 1994 | Registered and paid up capital US$30,000,000 | 80% | 80% | PRC | Property development and property investment |
| Shanghai Jun-Xing Property Development Co., Ltd. (note 7) (ceased to be a subsidiary in the current year) | PRC 5 March 2009 | Registered and paid up capital RMB4,461,300,000 | 18.9551% | 49.98% | PRC | Property development |
| Shanghai Knowledge and Innovation Community Development Co., Ltd ("Shanghai KIC") | PRC 9 June 2010 | Registered and paid up capital HK$1,550,000,000 | 99% | 99% | PRC | Property development |
| Shanghai Lakeville Properties Co., Ltd. | PRC 23 May 2001 | Registered and paid up capital RMB165,000,000 | 99% | 99% | PRC | Property development |
| Shanghai Le Fu Properties Co., Ltd. | PRC 20 February 2004 | Registered and paid up capital US$240,500,000 | 99% | 99% | PRC | Property development |
| Shanghai IPO Food & Beverage Co., Ltd. | PRC 6 September 2006 | Registered and paid up capital US$1,890,000 | 100% | 100% | PRC | Food and beverage services |
| Shanghai Rui Chen Property Co., Ltd. | PRC 6 May 1996 | Registered and paid up capital RMB189,000,000 | 100% | 79.81% | PRC | Property development and property investment |
| Shanghai Rui Qiao Property Development Co., Ltd. | PRC 28 December 2010 | Registered and paid up capital RMB3,900,000,000 | 100% | 100% | PRC | Property development |
| Shanghai Rui Hong Xin Cheng Co., Ltd. | PRC 2 July 2001 | Registered capital RMB6,700,000,000 paid up capital RMB6,104,240,000 | 100% | 79.81% | PRC | Property development and property investment |
| Shanghai Shui On Club Business Management Co., Ltd. | PRC 29 July 2010 | Registered and paid up capital RMB200,000 | 100% | 100% | PRC | Provision of business management services |
| Shanghai Tai Ping Qiao Properties Management Co., Ltd. | PRC 31 August 2001 | Registered and paid up capital US$198,000 | 100% | 100% | PRC | Property management |
| Shanghai Xin-Tian-Di Plaza Co., Ltd. | PRC 2 February 1999 | Registered and paid up capital RMB98,261,000 | 100% | 100% | PRC | Property development and property investment |
| Shanghai Xing Bang Properties Co., Ltd. | PRC 21 June 2001 | Registered and paid up capital RMB287,595,000 | 100% | 100% | PRC | Property development and property investment |
| Shanghai Xing-Qi Properties Co., Ltd. | PRC 2 February 1999 | Registered and paid up capital RMB266,653,000 | 100% | 100% | PRC | Property development and property investment |
| Shanghai Yang Pu Centre Development Co., Ltd. | PRC 26 August 2003 | Registered and paid up capital US$137,500,000 | 86.8% | 86.8% | PRC | Property development and property investment |
| Shui On Development (Holding) Limited | Cayman Islands 27 July 2005 | 22 ordinary shares of US$0.01 each | 100% | 100% | Hong Kong | Investment holding and debt financing |
| Shui On Development (Singapore) Pte. Limited | Singapore 27 December 2011 | 1 ordinary share of US$10 | 100% | 100% | Singapore | Debt financing |

## 47. Particulars of the Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held 2014 | 2013 (note 1) | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| Shui On Granpex Limited | Hong Kong 13 January 1997 | HK$2 | 100% | – | Hong Kong | Investment holding |
| Shui On Land Management Limited | Hong Kong 12 May 2004 | HK$1 | 100% | 100% | Hong Kong | Provision of management services |
| Shui On Resort Community (Lijiang) Holding Limited | BVI 28 April 2008 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Shui On Resort Community (Lijiang) Limited | Hong Kong 5 May 2008 | HK$1 | 100% | 100% | Hong Kong | Dormant |
| Shui On Resort Community (Shangri-La) Holding Limited | BVI 6 May 2008 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Shui On Resort Community (Shangri-La) Limited | Hong Kong 13 May 2008 | HK$1 | 100% | 100% | Hong Kong | Dormant |
| Shui On Resort Community (Kunming) Holding Limited | BVI 18 July 2006 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Shui On Resort Community (Kunming) Limited | Hong Kong 25 July 2006 | HK$1 | 100% | 100% | Hong Kong | Dormant |
| Shui On Resort Community (Yunnan) Development Limited | Cayman Islands 17 July 2006 | 1 ordinary share of US$0.01 | 100% | 100% | Hong Kong | Investment holding |
| Shine First Limited | BVI 25 October 2006 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Shine Prime Investments Limited | BVI 2 November 2006 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Shui On Secretaries & Nominees Limited | Hong Kong 30 November 2006 | HK$1 | 100% | 100% | Hong Kong | Provision of secretarial services |
| Silomax Limited | BVI 25 March 1996 | 1 ordinary share of US$1 | 100% | 79.81% | Hong Kong | Investment holding |
| Simply Creative Limited | BVI 19 December 2013 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Sino Atrium Global Limited | BVI 3 June 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Sinomount Holdings Limited | BVI 18 October 2013 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Sino City (Hong Kong) Limited | Hong Kong 9 January 2014 | HK$1 | 100% | – | Hong Kong | Dormant |
| Sino Gate Developments Limited | BVI 3 June 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Sino Heritage Holdings Limited | BVI 28 October 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Sino Realty Limited | Hong Kong 3 October 2006 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Sino Wisdom Investments Limited | BVI 12 May 2006 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Sino Luck International Limited | BVI 3 June 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Smart Century Limited | Hong Kong 18 October 2007 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Sky Link (Hong Kong) Limited | Hong Kong 27 March 2014 | HK$1 | 100% | – | Hong Kong | Dormant |

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## 47. Particulars of the Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held 2014 (note 1) | Attributable equity interest held 2013 (note 1) | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| Splendid Return Investments Limited | Hong Kong 13 May 2008 | HK$1 | 100% | 100% | Hong Kong | Dormant |
| Star Harvest Development Limited | Hong Kong 22 April 2013 | HK$1 | 100% | 100% | Hong Kong | Dormant |
| Strategic Glory Limited | BVI 28 May 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Success Champion Investments Limited | Hong Kong 26 March 2014 | HK$1 | 100% | – | Hong Kong | Dormant |
| Success Link (H.K.) Limited | Hong Kong 7 February 2014 | HK$1 | 100% | – | Hong Kong | Dormant |
| Success Sino Investment Limited | Hong Kong 6 November 2013 | HK$1 | 100% | – | Hong Kong | Dormant |
| Super Field Limited | Hong Kong 25 February 2005 | HK$1 | 100% | 75% | Hong Kong | Investment holding |
| Super Value Global Limited | BVI 28 May 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Super Victory Global Limited | BVI 30 May 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Super Viva Limited | BVI 11 March 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Taipingqiao Holding Company Limited | BVI 25 October 2011 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Target Success Investments Limited | BVI 4 March 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Dormant |
| Timezone Management Limited | BVI 28 February 2001 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Tip Profit Limited | BVI 18 July 2006 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Toprace Corporate Limited | BVI 28 February 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Top Glory (HK) Limited | Hong Kong 7 February 2014 | HK$1 | 100% | – | Hong Kong | Investment holding |
| Top Faith Development Limited | Hong Kong 18 April 2008 | HK$1 | 100% | 79.81% | Hong Kong | Investment holding |
| Top Victory Development Limited | Hong Kong 5 March 2008 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Triumph Sky Group Limited | BVI 23 October 2007 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| True Perfect Investments Limited | BVI 3 July 2014 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |
| Union Grow Limited | Hong Kong 8 November 2002 | HK$2 | 100% | 100% | Hong Kong | Investment holding |
| Value Land Investment Limited | Cayman Islands 2 September 2011 | 1,010,000 ordinary shares of US$0.01 each | 100% | 51% | Hong Kong | Investment holding |
| Victorious Run Limited | BVI 23 January 1997 | 100 ordinary shares of US$1 each | – | 66.7% | Hong Kong | Investment holding |
| Victory Win Development Limited | Hong Kong 18 April 2008 | HK$1 | 100% | 100% | Hong Kong | Investment holding |
| Visual King Limited | BVI 25 March 2013 | 1 ordinary share of US$1 | 100% | 100% | Hong Kong | Investment holding |
| Winsome Sino Limited | BVI 11 October 2013 | 1 ordinary share of US$1 | 100% | – | Hong Kong | Investment holding |

## 47. Particulars of the Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held 2014 | Attributable equity interest held 2013 (note 1) | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| Wise Keen International Limited | Hong Kong 24 April 2008 | HK$1 | 100% | – | Hong Kong | Investment holding |
| Wuhan Shui On Tiandi Property Development Co., Ltd. | PRC 2 August 2005 | Registered and paid up capital RMB273,600,000 | 100% | 75% | PRC | Property development and property investment |
| 上海百麗房地產開發有限公司(Shanghai Baili Property Development Co., Ltd.*) | PRC 29 August 2002 | Registered and paid up capital RMB100,000,000 | 100% | 79.81% | PRC | Property development and property investment |
| 上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*) | PRC 18 January 2004 | Registered and paid up capital RMB37,079,950 | 100% | 100% | PRC | Property management |
| 上海豐誠楊浦物業管理有限公司(Shanghai Feng Cheng Yang Pu Property Management Co., Ltd*) | PRC 21 July 2010 | Registered and paid up capital RMB950,000 | 100% | 100% | PRC | Property management |
| 上海瑞橋企業管理有限公司 (Shanghai Rui Qiao Enterprise Management Co., Ltd.*) | PRC 23 April 2009 | Registered and paid up capital RMB1,000,000 | 86.8% | 86.8% | PRC | Property development |
| 上海瑞展教育信息咨詢有限公司(Shanghai Rui Zhan Education Information Consultant Co., Ltd.*) | PRC 20 April 2010 | Registered and paid up capital RMB100,000 | 100% | 79.81% | PRC | Provision of education information and consultancy services |
| 上海瑞安房地產發展有限公司(Shui On Development Limited*) | PRC 14 June 2004 | Registered and paid up capital US$58,000,000 | 100% | 100% | PRC | Provision of management services |
| 武漢瑞安商祺房產管理有限公司(Wuhan Shuion Shangqi Real Estate Management Co., Ltd) | PRC 24 July 2012 | Registered and paid up capital US$14,400,000 | 100% | 75% | PRC | Property investment |
| 武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd.*) | PRC 8 January 2007 | Registered and paid up capital US$1,800,000 | 100% | 100% | PRC | Retail business |
| 上海夏欣商業管理有限公司 (Shanghai Best Scene Commercial Management Co., Ltd*) | PRC 31 May 2012 | Registered and paid up capital US$25,000,000 | 76.6% | 70% | PRC | Provision of management services |
| 上海新天地商業管理有限公司(Shanghai Xintiandi Management Limited*) | PRC 25 February 2013 | Registered and paid up capital US$10,000,000 | 100% | 100% | PRC | Provision of management services |
| 上海新天地品牌管理有限公司(Shanghai Xintiandi Branding Management Limited*) | PRC 9 October 2014 | Registered capital RMB500,000 paid up capital Nil | 100% | – | PRC | Provision of management services |
| 新天地商務管理(上海)有限公司(Xintiandi Commercial Management (Shanghai) Limited*) | PRC 28 August 2014 | Registered capital RMB500,000 paid up capital RMB50,200.40 | 100% | – | PRC | Provision of management services |
| 新天地(上海)酒店資產管理有限公司 (Xintiandi (Shanghai) Hotel Asset Management Co., Ltd.*) | PRC 28 June 2014 | Registered capital RMB2,800,000 paid up capital Nil | 100% | – | PRC | Hotel management |

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## 47. Particulars of the Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held 2014 (note 1) | Attributable equity interest held 2013 (note 1) | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| 新天地(上海)酒店管理有限公司(Xintiandi (Shanghai) Hospitality Asset Management Co., Ltd.*) | PRC 17 March 2014 | Registered and paid up capital RMB2,800,000 | 100% | – | PRC | Hotel management |
| 大連嘉鋭科技發展有限公司 (Dalian Jiarui Science & Tecnology Development Co., Ltd.*) | PRC 5 November 2009 | Registered and paid up capital US$10,000,000 | 100% | – | PRC | Science and technology development |
| 重慶豐德豪門實業有限公司 (Chongqing Fengde Haomen Industrial Co., Ltd.*) | PRC 26 April 2006 | Registered and paid up capital RMB10,000,000 | 100% | – | PRC | Property development |
| 瑞安建築有限公司 (Shui On Construction Co.,Ltd.*) | PRC 27 April 1985 | Registered and paid up capital RMB100,000,000 | 85% | – | PRC | Provision of construction services |
| 上海德基諮詢有限公司 (Shanghai De Ji Consultant Co., Ltd.*) | PRC 13 May 2003 | Registered and paid up capital US$140,000 | 100% | – | PRC | Provision of consultancy services |
| 上海德建裝飾工程有限公司 (Shanghai De Jin Decoration Construction Co., Ltd.*) | PRC 5 August 2008 | Registered and paid up capital US$800,000 | 100% | – | PRC | Provision of decoration services |
| 上海衡景貿易有限公司 (Shanghai Heng Jin Trading Co., Ltd.*) | PRC 1 August 2011 | Registered and paid up capital RMB50,000,000 | 100% | – | PRC | Retail business |
| 上海瑞安創智商業經營管理有限公司(Shanghai Rui An Chuang Zhi Business Management Co., Ltd.*) | PRC 12 December 2013 | Registered and paid up capital RMB500,000 | 86.8% | 86.8% | PRC | Provision of management and consultancy services |

Notes:

1. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
2. All subsidiaries established in the PRC are either equity joint ventures or cooperative joint ventures except Dalian Yingjia Science and Technology Development Co., Ltd., Fo Shan An Ying Property Development Co., Ltd., Fo Shan Rui Dong Property Development Co., Ltd., Fo Shan Rui Fang Property Development Co., Ltd., Fo Shan Rui Kang Tian Di Property Development Co., Ltd., Fo Shan Shui On Property Development Co., Ltd., Fo Shan Yi Kang Property Development Co., Ltd., Fo Shan Yi Kang Hotel Management Co., Ltd., Fo Shan Yong Rui Tian Di Property Development Co., Ltd., Fo Shan Yuan Kang Property Development Co., Ltd., Fo Shan Shui On Taindi Trading Co., Ltd., Hangzhou Xihu Tiandi Management Co., Ltd., Shanghai IPO Food & Beverage Co., Ltd., Shanghai Rui Qiao Property Development Co., Ltd., Shanghai Shui On Club Business Management Co., Ltd., 上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*), 上海瑞安房地產發展有限公司 (Shui On Development Limited*), 武漢瑞安天地商貿有限公司(Wuhan Shui On Tian Di Trading Co., Ltd.*), Wuhan Shuion Shangqi Real Estate Management Co., Ltd, 上海瑞橋企業管理有限公司(Shanghai Rui Qiao Enterprise Management Co., Ltd.), 上海瑞展教育信息咨詢有限公司(Shanghai Rui Zhan Education Information Consultant Co., Ltd.), Shanghai Best Scene Retail Asset Management Ltd, Shanghai Rui Chen Property Co., Ltd., Shanghai Ji-Xing Properties Co., Ltd., Shanghai Bai-Xing Properties Co., Ltd., Shanghai Xin-tian-di Plaza Co., Ltd., Shanghai Xing-Qi Properties Co., Ltd., Shanghai Xing Bang Properties Co., Ltd., Shanghai Tai Ping Qino Properties Management Co., Ltd., 上海新天地商業管理有限公司 (Shanghai Xintiandi Management Limited*), Wuhan Shui On Tiandi Property Development Co., Ltd., 上海百麗房地產開發有限公司 (Shanghai Baili Property Development Co., Ltd*), 上海豐誠楊浦物業管理有限公司 (Shanghai Feng Cheng Yang Pu Property Management Co., Ltd*), 上海瑞安創智商業經營理有限公司 (Shanghai Rui An Chuang Zhi Business Management Co., Ltd.*), 上海新天地品牌管理有限公司 (Shanghai Xintiandi Management Limited*),新天地商務管理(上海)有限公司 (Xintiandi Commercial Management (Shanghai) Limited*), 新天地(上海)酒店資產管理有限公司 (Xintiandi (Shanghai) Hotel Asset Management Co., Ltd.*)新天地(上海)酒店管理有限公司 (Xintiandi (Shanghai) Hospitality Asset Management Co., Ltd.*), 大連嘉鋭科技發展有限公司 (Dalian Jiarui Science & Tecnology Development Co., Ltd.*), 重慶豐德豪門實業有限公司 (Chongqing Fengde Haomen Industrial Co., Ltd.*), 上海德基諮詢有限公司 (Shanghai De Ji Consultant Co., Ltd.*) and 上海德建裝飾工程有限公司 (Shanghai De Jin Decoration Construction Co., Ltd.*) which are wholly foreign owned enterprises.
3. Except for Shui On Development (Holding) Limited and Shui On development (Singapore) Pte. Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2014 or at any time during the year.
4. The holders of Class B ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Super High Rise Project whereas the holders of Class A ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Shui On Tiandi Property Development Co., Ltd. other than the Chongqing Super High Rise Project.
5. The Class A ordinary shares of Billion China Investments Limited confers on its holders rights attributable to Crown Fame Limited ("Crown Fame")'s 90% interest in Fo Shan Shui On Property Development Co. Ltd. ("Foshan Shui On") whereas the Class B ordinary shares of Billion China Investments Limited confers on its holders rights attributable to (i) Crown Fame's 90% interests in Foshan Shui On pertaining to the land lots in Foshan other than Lots 6 and 16 and (ii) Crown Fame's interests in the Foshan PRC project companies other than Foshan Shui On.
6. The Class A ordinary shares of Magic Bright Investments Limited confers on its holders rights attributable to Regal Victory Limited ("Regal Victory")'s 92% interest in Fo Shan Yong Rui Tian Di Property Development Co. Ltd. ("Foshan Yong Rui") whereas the Class B ordinary shares of Magic Bright Investments Limited confers on its holders rights attributable to Regal Victory's interests in the Foshan PRC project companies other than Foshan Yong Rui.
7. For the year ended 31 December 2013, the Group held 51% equity interest in Portspin Limited, which indirectly holds 98% equity interest in Shanghai JunXing Property Co., Ltd. The Group's effective interest in Shanghai JunXing Property Co., Ltd. is therefore 49.98%. During the current year, the equity interest in Portspin Limited have been reduced to 19.3419%. Accordingly, Portspin Limited became a joint venture of the Group. Details are set out in Note 38(d).

* For identification purposes

## 47. Particulars of the Subsidiaries (Continued)

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

| | Proportion of equity interest held by non-controlling shareholders At 31 December | | Profit (loss) allocated to non-controlling shareholders Year ended 31 December | | Accumulated non-controlling interests At 31 December | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | | | RMB'million | RMB'million | RMB'million | RMB'million |
| **Name of subsidiary** | | | | | | |
| Fieldcity | – | 25.0% | 182 | 173 | – | 665 |
| Foresight | – | 20.2% | 23 | 26 | – | 386 |
| Score High | – | 19.8% | (47) | 41 | – | 652 |
| Shanghai Jiu Hai | 20.0% | 20.0% | 35 | 35 | 609 | 574 |
| Shanghai KIC | 13.2% | 13.2% | 22 | 30 | 345 | 323 |
| Individually immaterial subsidiaries with non-controlling interests | N/A | N/A | (43) | (39) | 208 | 325 |
| | | | 172 | 266 | 1,162 | 2,925 |

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

| | At 31 December 2014 RMB'million | At 31 December 2013 RMB'million |
|---|---|---|
| Current assets | 262 | 216 |
| Non-current assets | 3,678 | 3,493 |
| Current liabilities | 118 | 61 |
| Non-current liabilities | 777 | 721 |
| Equity attributable to shareholders of Shanghai Jiu Hai | 3,045 | 2,927 |

| | Year ended 31 December 2014 RMB'million | Year ended 31 December 2013 RMB'million |
|---|---|---|
| Revenue | 158 | 156 |
| Profit and total comprehensive income for the year | 194 | 186 |
| Dividend paid to non-controlling shareholder of Shanghai Jiu Hai | 15 | 13 |
| | | |
| Net cash from operating activities | 125 | 195 |
| Net cash from (used in) investing activities | 187 | (37) |
| Net cash used in financing activities | (16) | (166) |
| Net cash inflow (outflow) | 296 | (8) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 47. Particulars of the Subsidiaries (Continued)

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

| | At 31 December | |
|---|---|---|
| | 2014<br>RMB'million | 2013<br>RMB'million |
| Current assets | 138 | 113 |
| Non-current assets | 4,744 | 4,648 |
| Current liabilities | 1,059 | 1,247 |
| Non-current liabilities | 1,202 | 1,054 |
| Equity attributable to shareholders of Shanghai KIC | 2,621 | 2,460 |

| | Year ended 31 December | |
|---|---|---|
| | 2014<br>RMB'million | 2013<br>RMB'million |
| Revenue | 222 | 193 |
| Profit and total comprehensive income for the year | 160 | 229 |
| | | |
| Net cash from operating activities | 88 | 132 |
| Net cash from investing activities | – | 108 |
| Net cash used in financing activities | (84) | (411) |
| Net cash inflow (outflow) | 4 | (171) |

## 48. Comparative Figures

Comparative figures have been reclassified to conform with current year's presentations to reflect the reclassification of (i) other income and other gains and losses of equal and opposite amount of RMB159 million in the consolidated statement of profit or loss and (ii) accounts payable, deposits received and accrued charges and liabilities arising from rental guarantee arrangements of equal and opposite amount of RMB177 million in the consolidated statement of financial position.

# FINANCIAL SUMMARY

## Summary of Consolidated Statement of Profit or Loss

for the year ended 31 December

| | 2010 RMB' million | 2011 RMB' million | 2012 RMB' million | 2013 RMB' million | 2014 RMB' million |
|---|---|---|---|---|---|
| Turnover | 4,879 | 8,484 | 4,821 | 9,828 | 10,249 |
| Profit attributable to shareholders | 2,809 | 3,428 | 2,029 | 2,125 | 1,778 |
| Owners of convertible perpetual securities | – | – | – | – | 224 |
| Owners of perpetual capital securities | – | – | 19 | 314 | 311 |
| Other non-controlling shareholders of subsidiaries | 201 | 570 | 307 | 266 | 172 |
| Profit for the year | 3,010 | 3,998 | 2,355 | 2,705 | 2,485 |

## Summary of Consolidated Statement of Financial Position

as of 31 December

| | 2010 RMB' million | 2011 RMB' million | 2012 RMB' million | 2013 RMB' million | 2014 RMB' million |
|---|---|---|---|---|---|
| Investment properties | 26,893 | 36,395 | 46,624 | 50,273 | 58,162 |
| Property, plant,and equiptment | 540 | 1,079 | 3,782 | 3,577 | 1,418 |
| Prepaid lease payments | 73 | 500 | 671 | 586 | 131 |
| Properties under development for sale | 14,308 | 17,247 | 20,150 | 22,711 | 14,684 |
| Properties held for sale | 627 | 987 | 3,274 | 1,536 | 4,648 |
| Interests in and loans to associates | 2,190 | 2,423 | 2,923 | 2,740 | 2,717 |
| Interests in and loans to joint ventures | – | – | – | 700 | 1,805 |
| Account receivables, deposits, and prepayments | 3,668 | 2,589 | 2,708 | 5,237 | 9,222 |
| Other assets | 1,164 | 1,014 | 852 | 1,062 | 3,106 |
| Pledged bank deposits, restricted bank deposits, bank balances and cash | 6,790 | 6,370 | 8,633 | 10,180 | 12,430 |
| Total assets | 56,253 | 68,604 | 89,617 | 98,602 | 108,323 |
| Current liabilities | 8,747 | 16,474 | 20,563 | 19,229 | 20,387 |
| Non-current liabilities | 21,478 | 22,659 | 31,786 | 37,199 | 43,014 |
| Total liabilities | 30,225 | 39,133 | 52,349 | 56,428 | 63,401 |
| Net assets | 26,028 | 29,471 | 37,268 | 42,174 | 44,922 |
| Equity attributable to: | | | | | |
| Shareholders of the Company | 24,820 | 27,945 | 31,481 | 36,155 | 37,811 |
| Owners of convertible perpetual securities | – | – | – | – | 2,898 |
| Owners of perpetual capital securities | – | – | 3,093 | 3,094 | 3,051 |
| Other non-controlling shareholders of subsidiaries | 1,208 | 1,526 | 2,694 | 2,925 | 1,162 |
| Total equity | 26,028 | 29,471 | 37,268 | 42,174 | 44,922 |

## Per share data

for the year ended 31 December

| | 2010 | 2011 | 2012 (Restated) | 2013 | 2014 |
|---|---|---|---|---|---|
| Basic earnings per share (RMB) | 0.55 | 0.66 | 0.32 | 0.28 | 0.22 |
| Dividend per share | | | | | |
| – Interim paid (HK$) | 0.06 | 0.025 | 0.025 | 0.022 | 0.022 |
| – Final proposed (HK$) | 0.05 | 0.100 | 0.035 | 0.040 | 0.040 |
| – Full year (HK$) | 0.11 | 0.125 | 0.060 | 0.062 | 0.062 |
| Bonus shares | – | – | – | – | – |

# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

Mr. Vincent H. S. LO (Chairman)

Mr. Daniel Y. K. WAN
(Managing Director and Chief Financial Officer)

Mr. Philip K. T. WONG
(Managing Director)

### Non-executive Director

Mr. Frankie Y. L. WONG

### Independent Non-executive Directors

Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW

## Audit Committee

Professor Gary C. BIDDLE (Chairman)
Dr. Roger L. McCARTHY
Mr. Frankie Y. L. WONG

## Remuneration Committee

Dr. William K. L. FUNG (Chairman)
Mr. Vincent H. S. LO
Professor Gary C. BIDDLE

## Nomination Committee

Mr. Vincent H. S. LO (Chairman)
Sir John R. H. BOND
Professor Gary C. BIDDLE

## Finance Committee

Mr. Vincent H. S. LO (Chairman)
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Mr. Daniel Y. K. WAN
Mr. Frankie Y. L. WONG
Mr. Philip K. T. WONG

## Company Secretary

Mr. UY Kim Lun

## Auditor

Deloitte Touche Tohmatsu

## Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown JSM

## Registered Office

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

## Corporate Headquarters

26/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021
PRC

## Place of Business in Hong Kong

34/F, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

## Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

## Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F,
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

## Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
China Merchants Bank Co., Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank Limited
United Overseas Bank Limited

## Stock Code

272

## Website

www.shuionland.com

## Investor Relations

Ms. Michelle K. P. SZE
Telephone: (86 21) 6386 1818 Ext. 310
Email: sol.ir@shuion.com.cn
Address: 26/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021
PRC

CONCEPT & DESIGN: YELLOW CREATIVE (HK) LIMITED www.yellowcreative.com

瑞安房地產
SHUI ON LAND