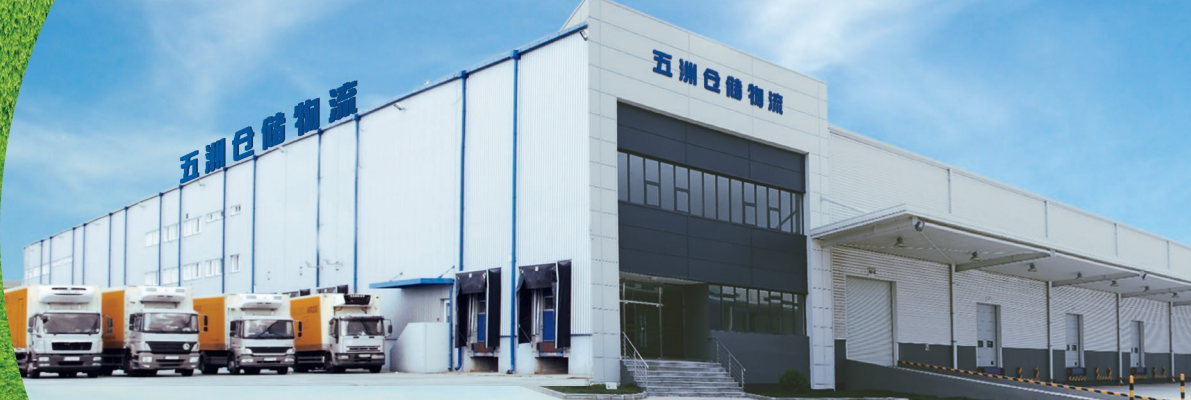


WUZHOU INTERNATIONAL  
HOLDINGS LIMITED  
五洲國際控股有限公司

**WOZ 五洲国际**  
WUZHOU INTERNATIONAL  
*(Incorporated in the Cayman Islands with limited liability)*  
Stock code: 01369

ANNUAL REPORT 2014



# RESPONSIBLE REAL ESTATE

## Healthy Commercial Business





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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Shu Cecheng (Chairman)  
Mr. Shu Cewan (Chief Executive Officer)  
Mr. Shu Ceyuan  
Ms. Wu Xiaowu  
Mr. Zhao Lidong

### Non-Executive Director

Mr. Wang Wei (appointed on 26 September 2014)

### Independent Non-Executive Directors

Dr. Song Ming  
Mr. Lo Kwong Shun, Wilson  
Prof. Shu Guoying

## COMPANY SECRETARY

Mr. Cheung Man Hoi (appointed on 30 June 2014)

## AUTHORIZED REPRESENTATIVES

Mr. Cheung Man Hoi (appointed on 30 June 2014)  
Mr. Shu Cecheng

## AUDIT COMMITTEE

Mr. Lo Kwong Shun, Wilson (Committee Chairman)  
Dr. Song Ming  
Prof. Shu Guoying

## REMUNERATION COMMITTEE

Dr. Song Ming (Committee Chairman)  
Mr. Shu Cewan  
Prof. Shu Guoying

## NOMINATION COMMITTEE

Mr. Shu Cecheng (Committee Chairman)  
Dr. Song Ming  
Mr. Lo Kwong Shun, Wilson

## AUDITORS

Ernst & Young  
Certified Public Accountants

## COMPLIANCE ADVISOR

Octal Capital Limited

## PRINCIPAL BANKERS

Bank of China Limited  
Bank of Communications Co., Ltd  
Industrial and Commercial Bank of China Limited  
Xiamen International Bank

## LEGAL ADVISORS

**As to Hong Kong Law**  
Shearman & Sterling

**As to PRC Law**  
Global Law Office

**As to Cayman Islands Law**  
Walkers

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## CORPORATE HEAD OFFICE IN HONG KONG

Unit 5105, 51/F  
The Center  
99 Queen's Road Central  
Central  
Hong Kong

**CORPORATE INFORMATION****CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA**

19th Floor  
Wuzhou International Columbus Plaza Tower B  
287 Guangyi Road  
Wuxi  
China

**CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**LISTING INFORMATION****Share Listing**

The Company's ordinary shares  
The Stock Exchange of Hong Kong Limited  
Stock Code: 01369

**Senior Notes Listing**

The Company's 13.75%, 5 years senior notes due 2018  
The Stock Exchange of Hong Kong Limited  
Stock code: 05970

**WEBSITE**

<http://www.wz-china.com>

# GENERATE WEALTH for the Society





# FINANCIAL HIGHLIGHTS

## Key income statement items

(RMB million)	2014	2013
Revenue	<b>4,308</b>	4,050
<i>Property sales</i>	<b>4,075</b>	3,880
<i>Revenue from property operations<sup>1</sup></i>	<b>233</b>	169
Gross profit	<b>1,499</b>	1,769
Gross margin	<b>35%</b>	44%
Profit and total comprehensive income for the year	<b>394</b>	1,120
Profit attributable to owners of the parent	<b>253</b>	1,020
Basic EPS (RMB)	<b>0.05</b>	0.25

Note:

- 1 Income from property operation includes rental income, commercial management service income, property consulting service income, property management service income, commissions from concessions from concessionaire sale and others.

## Key balance sheet items

(RMB million)	End of 2014	End of 2013
Total assets	<b>19,372</b>	15,421
Total liabilities	<b>15,161</b>	11,437
Total equity	<b>4,211</b>	3,984
Equity attributable to owners of the parent	<b>3,667</b>	3,498
Cash <sup>1</sup>	<b>1,802</b>	1,413
Total debt	<b>5,431</b>	3,793
<i>Long-term debt<sup>2</sup></i>	<b>3,644</b>	2,712
<i>Short-term debt</i>	<b>1,787</b>	1,082
Net gearing <sup>3</sup>	<b>86%</b>	60%

Notes:

- 1 Including restricted cash and pledged deposits.
- 2 Including bank and other borrowings and senior notes.
- 3 Net gearing is calculated as net borrowings (bank and other borrowings and senior notes net of cash equivalents, pledged deposits and restricted cash) divided by total equity.



# HIGHLIGHTS OF THE YEAR

## 2014

### JANUARY

1. Wuzhou International additionally issued US\$100 million senior notes due 2018.
2. The Group acquired a parcel of land in Zhengzhou, Henan for establishing merchandising and logistics center project.
3. Construction Materials and Renovation Supplies City, Phase I of Leling Wuzhou International Exhibition City in Shandong held its grand opening.
4. Luoyang Wuzhou International Industrial Exhibition City in Henan marked a grand launch.
5. Wuxi Wuzhou International Plaza in Jiangsu held its grand opening.
6. The Group acquired the second parcel of land in Jingyue District, Changchun, Jilin for the use of commercial services.

### MARCH

7. Wuzhou International made the first results announcement since its listing, achieving annual contracted sales of RMB5.184 billion.

### APRIL

8. Mr. Shu Cecheng, our chairman, was invited to attend Boao Forum for Asia 2014, fully demonstrating the Group's comprehensive strengths and brand image.
9. A groundbreaking ceremony held at the site for commencing the construction of Zhengzhou Wuzhou City in Henan and an opening ceremony held for a global merchant center.
10. Longkou Wuzhou International Trade City in Shandong held its grand opening.
11. The shopping center of Jiangyin Wuzhou International Plaza in Jiangsu marked a grand launch.
12. Luoshe Columbus Plaza in Wuxi, Jiangsu held its grand opening.

### MAY

13. Wuzhou International successfully hosted its 2014 annual general meeting.
14. Phase II of Luoyang Wuzhou International Industrial Exhibition City in Henan marked its grand launch.



## HIGHLIGHTS OF THE YEAR

## JUNE

15. Wuzhou International entered into a strategic cooperation agreement with Harbin Bank for enhancing the Group's financial resources and further consolidating its operational capabilities.
16. Wuzhou International held a ceremony for celebrating its listing anniversary.
17. Wuzhou International entered into a cooperation framework agreement with Global Logistic Properties Investment Management (China) Co., Ltd. for developing logistics and storage business, jointly creating synergistic benefits to both parties.
18. Qianzhou Wuzhou International Plaza in Wuxi, Jiangsu marked its grand launch.
19. Apparel and Accessories House, Phase I Ruian Wuzhou International Trade City in Zhejiang marked its grand launch.



20. Shenyang Wuzhou International Industrial Exhibition City in Liaoning marked its launch.
21. Zhengzhou Wuzhou City in Henan marked its launch.

## JULY

22. The Group acquired a parcel of land in Tongliao, Inner Mongolia Autonomous Region for establishing merchandising and logistics center project, and this was our first project in Inner Mongolia.

## AUGUST

23. Heqiao Wuzhou International Plaza in Yixing, Jiangsu marked its grand launch.
24. Changchun Wuzhou International Fur Clothing City in Jilin marked its grand launch.
25. Ruian Wuzhou International Trade City in Zhejiang marked its grand launch.
26. Wuzhou International issued its 2014 interim report, achieving contracted sales of RMB3.013 billion for the first half of the year.

## SEPTEMBER

27. Home Furniture Plaza of Dali Wuzhou International Trade City in Yunnan held its grand opening.



## HIGHLIGHTS OF THE YEAR

- 28.** Ping An Real Estate Company Limited and PA Glorious Opportunity VIII Limited made strategic investments in Wuzhou International, supporting the Group to build a leading integrated merchandising and logistics platform in China.
- 29.** Phase III of Luoyang Wuzhou International Industrial Exhibition City in Henan marked a grand launch.
- 30.** On 26 September 2014 and 22 October 2014, the Company issued respectively two tranches of convertible notes maturing on 30 September 2019, in the aggregate principal amount of US\$50 million of each tranche with an initial conversion price of HK\$1.78 per ordinary share of the Company.
- 31.** Wuzhou International entered into a cooperative framework agreement with Hangzhou Eastern Road Port Logistics Management Co., Ltd. for co-developing commercial and trading projects and "road-port" logistics projects.

## OCTOBER

- 32.** The Group acquired a parcel of land in Xuzhou, Jiangsu for establishing merchandising and logistics center project.
- 33.** Wuzhou International entered into an investment letter of intent with Luohuang Industrial Park in Jiangjin District, Chongqing, proposing to build the Luohuang Wuzhou City.



## NOVEMBER

- 34.** Phase II of Zhengzhou Wuzhou City in Henan marked its grand launch.
- 35.** Wuzhou International entered into a strategic cooperative agreement with Ping An Bank, pursuant to which Wuzhou International became an honorary member of the Gold Orange Club of Ping An Bank.
- 36.** Nantong Wuzhou International Automobile Exhibition City in Jiangsu commenced its operation.

## DECEMBER

- 37.** Nantong Wuzhou International Plaza in Jiangsu commenced its operation.
- 38.** Yixing Wuzhou International Huadong Trade City in Jiangsu commenced its operation.
- 39.** Rongchang Wuzhou International Yuexing Home Furnishing Plaza in Chongqing commenced its operation.



## HONOURS AND AWARDS

Wuzhou International ranked the 84th among the Top 100 Property Developers in China and the 6th in the "China Top 10 Consolidated Commercial Property Developers". Mr. Shu Cecheng, the chairman of Wuzhou International, was named as one of the "Outstanding People in China Commercial Property Industry".

**The China Real Estate Research Association, the China Real Estate Association and China Property Assessment Center**



Wuzhou International was one of the "China Top 10 Commercial Property Developers", the "Top 10 Real Estate Developers in Jiangsu Province", the "Top 10 Hong Kong Listed PRC Real Estate Companies in terms of Financial Stability" and the "Top 10 Hong Kong Listed PRC Real Estate Companies in terms of Investment Value" in 2014.

**Enterprise Research Institute of the Development Research Center of the State Council, Property Research Center of Tsinghua University, the China Index Academy**



## HONOURS AND AWARDS

### Wuzhou International Named among 2014 Top 100 Property Holdings Real Estate Enterprises in China

#### E&H China, winshang.com

E&H China and winshang.com have co-announced the first commercial property list in China with the property-holdings of enterprises as the assessment criteria. Wuzhou International has been ranked 35th in operating income and 20th in business scale in the “2014 Top 100 Properties Holding Real Estate Enterprises in China”.

### “Hong Kong Outstanding Enterprises 2014”

#### Economic Digest

The “Hong Kong Outstanding Enterprises Award” aim to recognise enterprises with outstanding business performance. Evaluation criteria include corporate philosophy and vision, business performance over the past year, corporate governance, popularity among minority shareholders, and scientific research and development and achievements in the industry. Wuzhou International received the award for the second time.



### “2014 Best Developer of Trade Logistics”

#### Guandian Real Estate New Media

Wuzhou International received the “2014 Best Developer of Merchandising and Logistics” Award in the “2014 Guandian Business Annual Conference” hosted by Guandian Real Estate New Media.



## HONOURS AND AWARDS

### “Ernst & Young Entrepreneur of the Year 2014”

#### Ernst & Young

Held in China for the first time in 2006, the “Ernst & Young Entrepreneur of The Year” honours bold entrepreneurs with acumen in Mainland China, Hong Kong and Macau who have achieved success by harnessing capabilities to tap opportunities, and recognizes the benefits brought by the entrepreneurs and their innovative spirit to the Chinese economy. Mr Shu Cecheng, the chairman of Wuzhou International was honoured as the “Ernst & Young Entrepreneur of the Year 2014”.



### “Leader of Excellence”

#### Capital Magazine

“CAPITAL Leader of Excellence” is organized by Capital Magazine annually since 2006 with the aim to recognize the leaders in Hong Kong who have made outstanding contributions to commerce and industry, the community and the economy. Mr. Shu Cecheng, the chairman of Wuzhou International, was selected as the “Leader of Excellence” for the second year.



## SOCIAL RESPONSIBILITIES

### “WUZHOU INTERNATIONAL CUP – DONATIONS FOR EDUCATION IN THE CENTRAL PLAIN”

“Wuzhou International Cup – Donations for Education in the Central Plain” sponsored by Wuzhou International held at Henan Provincial Sports Centre Stadium on 20 September 2014, it included All Star Charity Soccer Game as well as an arts and cultural variety show. Wuzhou International Industrial Exhibition City Project formed a soccer team to participate into the game. Wang Jun, vice president of the Group, delivered a speech in the event.

Wang Jun stated that corporate social responsibility was a long-term effort for management and administration instead of a one-off philanthropic initiative, Wuzhou International has been committed to social welfare development. In 2014, the expansion of Wuzhou International into Zhengzhou was well recognized by sectors in the society and became a big hit there. As a social enterprise, Wuzhou International should contribute to and benefit the society in a positive way. Wang Jun also called upon more people to participate into social welfare charities, giving love to the society.

In addition, a charity auction was held by the organizer at the end of the game, and all funds raised from successful auctions will be donated to impoverished children in mountainous and hilly area in Henan for their education. Auction items included footballs, sportswear and music albums with autograph of the celebrities. Wuzhou International was active in the charity auction and thus named as “Caring Enterprise”. As always, Wuzhou International will be committed to charity, benefitting the society and being a responsible corporate citizen.

### THE OPENING CEREMONY OF THE BUSINESS STARTUP BASE OF WUZHOU INTERNATIONAL PLAZA HELD ON 28 AUGUST 2014

At the opening ceremony, an official of the People’s Government of Xuyi County stated that the Business Startup Base in Xuyi County was not only a venue for business starters, but an easier business environment for more employees to start their own business with the support of government policies, services for business startup, brand advantages and platform effects of Wuzhou International, enhancing business starters’ confidence while reducing their startup costs as well as risks involved.

On 15 September 2014, business starters in Wuzhou International Plaza obtained their first business startup grants from the Department of Human Resources and Social Security of Xuyi County.

At the ceremony, business startup experts provided start-your-business training to the business starters under the Xuyi project. The business startup base was one of the modules in a system customized for business starters, small and mid-size enterprises for starting up and improving their business. This is a system for socialization of business startup, facilitating employment by fully supporting and guiding business starters. Therefore, Xuyi Wuzhou International Plaza provides such a platform for business starters to fulfill their dreams.



# CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Wuzhou International Holdings Limited ("Wuzhou International" or the "Company"), I am delighted to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

## 2014 RESULTS

In 2014, our total revenue was approximately RMB4,308 million, representing increase of 6.0%. Gross profit decreased by 15.3% to RMB1,499 million. Net profit attributable to our equity owners decreased from RMB1,020 million in 2013 to RMB253 million in 2014.

## ECONOMIC REVIEW AND OUTLOOK

The global economy was still in a stage of intensified adjustment during post-global financial crisis, major players in world economy taking divergent paths became more palpable as a result of rapid growth in U.S. economy, growth slowdown in Chinese economy, economic stumble in Japan as well as European Union's struggling economy. Next year, the growth of global economy may speed up slightly, but significant improvement will be unlikely. International financial markets and international price of commodities will be increasingly volatile, and effects of non-economic factors, such as geopolitics, will be stronger.

In 2014, the downward pressure on Chinese economy was intensifying in the throes of structural adjustment with certain economic risks showed. The growth rate of 7.4% of gross domestic product in 2014 signaled a "new normal" of the development of economy, being featured by slowdown in growth from very high speed to high speed as well as shifting of economic driving forces from traditional ones to emerging ones. In future, the development of Chinese economy tends to focus on

domestic market, release potential of domestic demand, find a balance between import and export, attract foreign capital and strike a balance between domestic and offshore investments.

## OPERATIONAL REVIEW

### Sales Performance

In 2014, the Group achieved contracted sales of RMB6,612 million, representing an increase of 27.5% over the previous year and surpassing the annual sales target set by the Group. Aggregate contracted sales area was approximately 983,500 square metres ("sq.m.") representing a year-on-year increase of 44.1%. As at 31 December 2014, our portfolio of property developments consisted of 36 projects in 11 provinces across China. Our contracted sales have involved 32 development projects in 10 provinces, including Jiangsu, Henan, Zhejiang, Chongqing, Yunnan, Heilongjiang, Hubei, Shandong, Liaoning and Jilin.

### Land Bank

Acquisition of prime lands is vital to our rapid growth in the future. In addition to our strong presence in Yangtze River Delta Area, we have expanded our business in various other cities for product development, and often acquired sufficient prime lands. For the whole year of 2014, Wuzhou International, through public tenders, acquired land use rights of 4 parcels of land located in 4 cities from 4 provinces or autonomous region, namely Zhengzhou City in Henan Province, Changchun City in Jilin Province, Tongliao City in Inner Mongolia Autonomous Region and Xuzhou City in Jiangsu Province. As at 31 December 2014, the total gross floor area ("GFA") of our completed projects was 3,700,000 sq.m., the total GFA of our projects under development was 2,240,000 sq.m. and the total GFA of our projects planned for future development was 4,180,000 sq.m.. As at 31 December 2014, Wuzhou International has 36 projects in total in 11 provinces of rapid development in the People's Republic of China (the "PRC"), including 20 merchandising and logistics centers and 16 multi-functional commercial complexes.



## CHAIRMAN'S STATEMENT

**Wuzhou International is planning to engage in logistics business along with our integrated commercial trading platform provided to customers.**



## CHAIRMAN'S STATEMENT

### BUSINESS STRATEGY

#### **Strong Alliances for Building Comprehensive Merchandising and Logistics Platform**

In June 2014, the Group entered into a cooperation framework agreement with Global Logistic Properties Investment Management (China) Co., Ltd., pursuant to which both parties have agreed to a wide-ranging scope of cooperation including developing and operating commercial logistics parks. In September 2014, Ping An Real Estate Company Limited and PA Glorious Opportunity VIII Limited made a strategic investment in Wuzhou International for a strong alliance to build up a logistics property flagship. In addition, the Group was in strategic cooperation with Hangzhou Eastern Road Port Logistics Management Co., Ltd. and Qingdao Haier Industrial Development Co., Ltd with an aim to further diversify its services into a comprehensive and one-stop platform for logistics, storage, trading and exhibition.

#### **Establishment of Wide Range of Financing Pipes**

In 2014, the Group actively explored new financing pipes by fully utilizing international capital markets. In addition to the issue of US\$100 million senior notes due in 5 years in January 2014, the Group issued US\$100 million convertible notes which were subscribed by Ping An Real Estate (Hong Kong) Company Limited and PA Glorious Opportunity VIII Limited, our two strategic investors, in September 2014. Further, Ping An Real Estate Company Limited intends to make strategic investments of up to RMB1.5 billion in aggregate in our professional wholesaling market and logistics project in 5 years. Expansion of various financing pipes and recognition of capital markets have allowed the Group to better capture market opportunities and enhance our financial flexibility.

### SOUND INVESTOR COMMUNICATIONS

Corporate transparency and corporate governance are of key importance to the Group. The Group has proactively communicated with investment community in order to facilitate understanding of our business development strategies and growth potentials. We believe that value maximization for the shareholders of the Company (the "Shareholders") could be promoted by good investor relations. The Group is committed to timely and accurate disclosure of information to members of investment community, and has opened up a series of systematic channels for communication, providing our Shareholders, investors and analysts with reliable information regularly. In 2014, Wuzhou International actively participated a wide range of investor road shows, reverse road shows and investor forums and conferences held by banks, allowing us to present our internationally unique model of business operation and investment advantages to investors. We put efforts in maintaining good investor relations and sound corporate transparency that reflected in value for our Shareholders.

### FUTURE DEVELOPMENT

With the growth of Chinese economy, convergence of markets at home and abroad and the expansion of domestic consumer markets, the domestic demand for logistics property will grow accordingly. In addition, as the e-commerce industry has continued to develop rapidly, the shifting to e-commerce from traditional offline retailers will also make strong demand for logistics facilities. The Group will keenly adopt various strategic measures by capitalizing its self-owned land resources, tenant network and operational advantages with an aim to accelerate upgrade and transformation of our business. The Group is committed to become a leading developer and operator of integrated trading and logistics platform, providing small and medium enterprises effective one-stop integrated services.

## CHAIRMAN'S STATEMENT

### APPRECIATIONS

Close cooperation and coordination among property industry, goodwill and stakeholders as well as enthusiastic support are crucial to success of an enterprise. We would like to thank our cooperation partners as well as our Shareholders and investors for their constant supports. We hereby express our sincere gratitude to the customers who witness the value and quality of our products. Winning customer confidence is essential to brand building, and is our real value in the market. Last but not least, we would like to show our appreciation to our Directors, senior management and employees for their contributions and hard work, providing the Group a driving force for growth and a concrete foundation for expansion. With the help of the parties aforesaid, Wuzhou International laid a concrete foundation for stable development in the future. Their continuous supports will provide us new momentum and confidence in the coming year. At last, I would like to take this opportunity to express my gratitude to our Directors for their leadership and to all the staff for their dedication and hard work.

**Wuzhou International Holdings Limited**  
**Shu Cecheng**  
*Chairman*

30 March 2015



**CREATE VALUE**  
for the Customers

**PROVIDE A PLATFORM**  
for the Employees





# MANAGEMENT DISCUSSION AND ANALYSIS

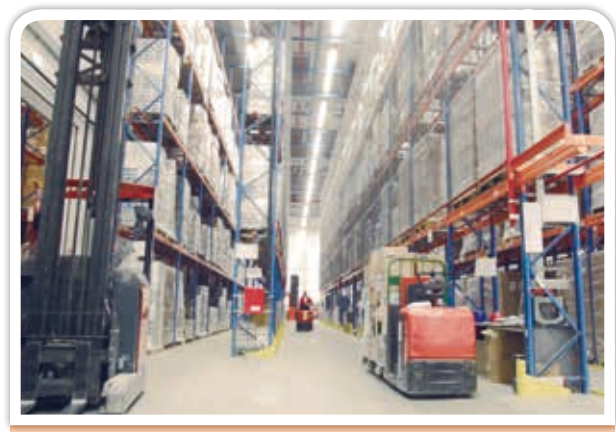
## BUSINESS REVIEW

Based on its unique market positioning and development strategies, the merchandising and logistics centers and multi-functional commercial complexes of the Group have been recognized by local markets and the business model was replicated for the market expansion in rapidly-developing provinces and cities, such as Henan, Jilin and Inner Mongolia, with an aim to lay a concrete foundation for capturing business opportunities by taking advantage of vigorous development of the merchandising and logistics industry in China.

### MARKET REVIEW

In 2014, the downward pressure on Chinese economy was intensifying in the throes of structural adjustment with certain economic risks showed. The growth rate of 7.4% of gross domestic product in 2014 signaled a “new normal” of the development of economy, being featured by slowdown in growth from very high speed to high speed as well as shifting of economic driving forces from traditional ones to emerging ones.

The commercial property sector in China fundamentally maintained a solid growth supported by large population base, increasing income and improving living standard, but the sector was facing challenges brought about by flourishing development of e-commerce market. Conversely, the logistics property market in China continued to achieve rapid growth driven by the growth in demand of consumers and e-commerce, and since land supply is limited, the logistics property industry has huge potential to develop.

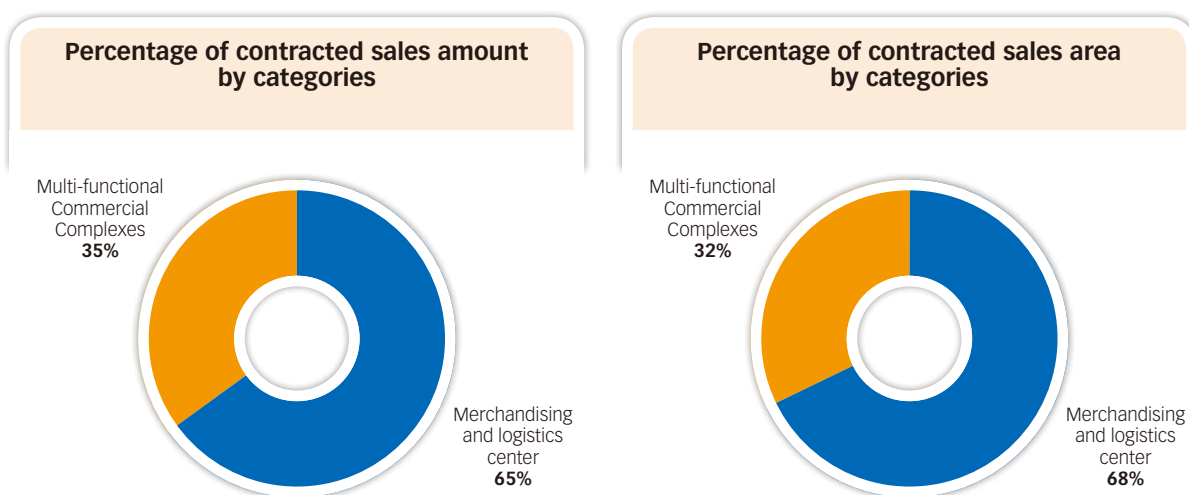


## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

## BUSINESS REVIEW

## I. Contracted sales

During the year under review, the Group recorded contracted sales and contracted sales area of approximately RMB6,612 million and approximately 983,000 square metres ("sq.m."), representing increases of 27.5% and 44.1% as compared with the same period of the previous year, respectively. Approximately RMB4,287 million and 671,000 sq.m. were from the sales of the merchandising and logistics centers, representing increases of 117.5% and 80.9% as compared with the same period of the previous year, respectively. Approximately RMB2,325 million and 312,000 sq.m. were from the sales of multifunctional commercial complexes.

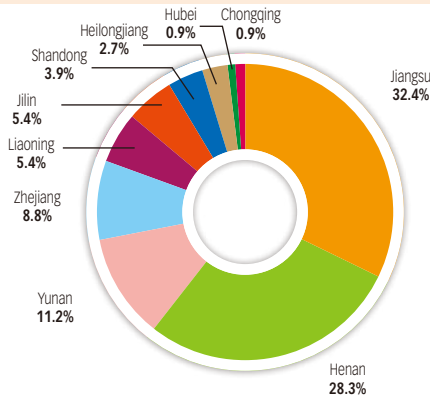


Contracted sales of the Group, by geographical location, were mainly from Jiangsu Province and Henan Province. The contracted sales were approximately RMB2,141 million and RMB1,872 million respectively, accounting for 32.4% and 28.3% of the total contracted sales amount, respectively. The contracted sales areas of Jiangsu and Henan were 304,000 sq.m. and 287,000 sq.m. respectively, accounting for 30.9% and 29.2% of the total contracted sales area, respectively. Attributable to the market expansion strategy of the Group in other rapidly-developing cities, resulting in a more balanced income source in terms of geographical locations.

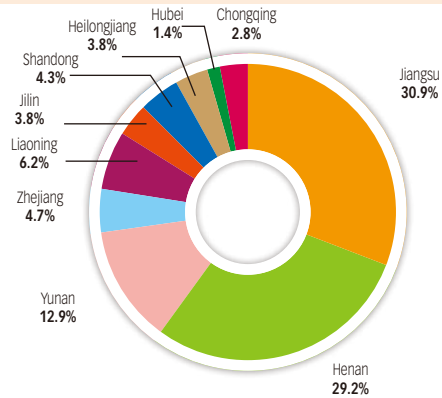
Region	Contracted sales amount		Contracted sales area	
	RMB million	Percentage (%)	'000 sq.m.	Percentage (%)
Jiangsu province	2,141	32.4	304	30.9
Henan province	1,872	28.3	287	29.2
Yunnan province	741	11.2	127	12.9
Zhejiang province	584	8.8	46	4.7
Liaoning province	359	5.4	61	6.2
Jilin province	355	5.4	37	3.8
Shandong province	256	3.9	42	4.3
Heilongjiang province	180	2.7	37	3.8
Hubei province	62	0.9	14	1.4
Chongqing city	62	0.9	28	2.8
Total	6,612	100.0	983	100.0

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

Percentage of contracted sales amount by regions

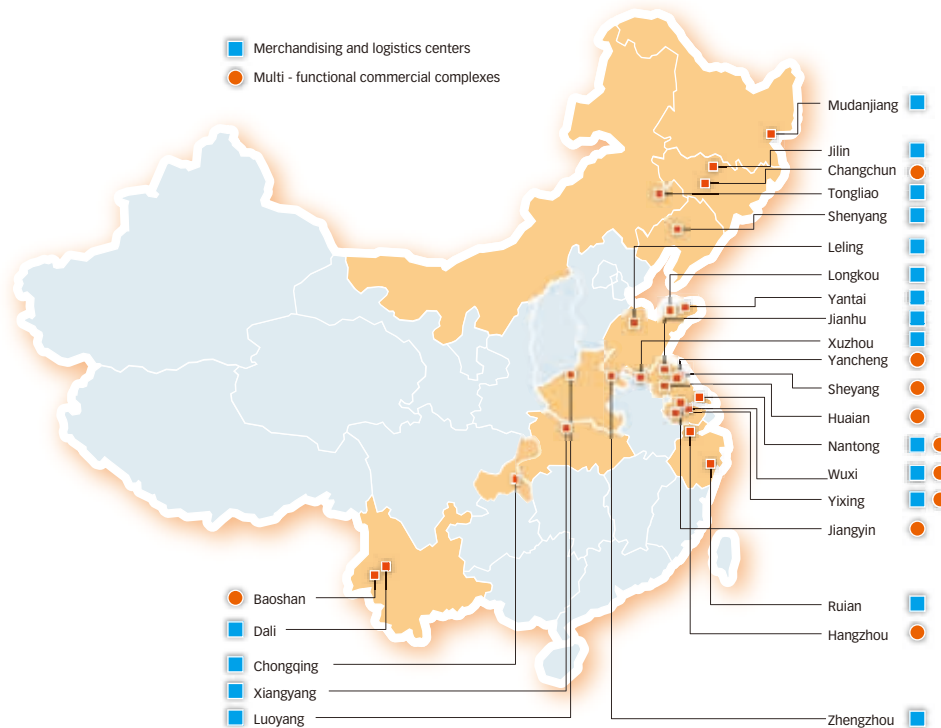


Percentage of contracted sales area by regions



## II. Project development

As at 31 December 2014, the Group had 36 development projects in Jiangsu, Zhejiang, Shandong, Hubei, Yunnan, Heilongjiang, Jilin, Henan, Liaoning, Chongqing and Inner Mongolia Autonomous Region, including 20 merchandising and logistics centers and 16 multi-functional commercial complexes.

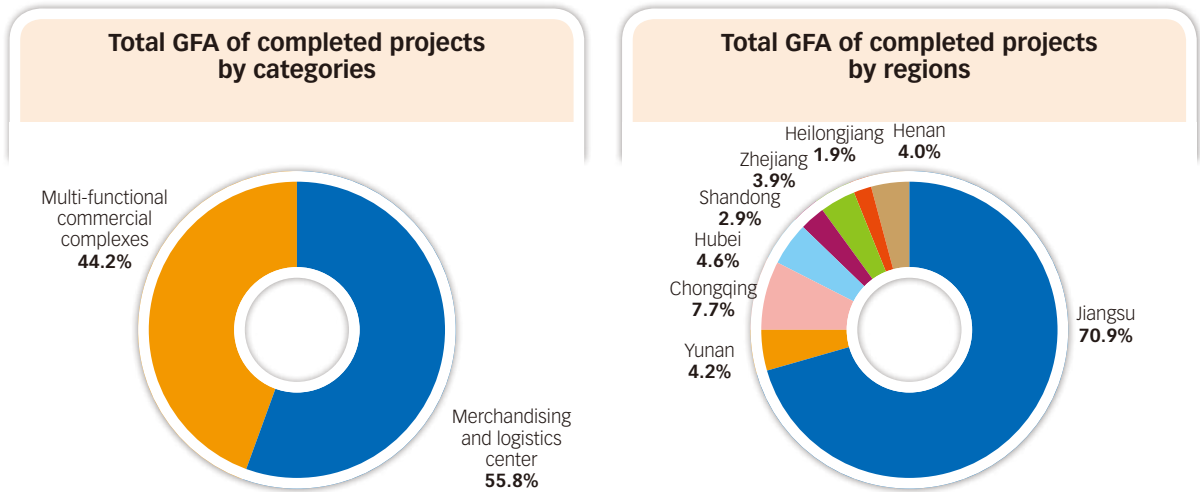




## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

**Completed projects**

During the year under review, the Group completed a total of 23 projects or project phases with a total GFA of approximately 3,629,000 sq.m., including approximately 1,719,000 sq.m. of GFA sold and delivered and approximately 610,000 sq.m. of GFA held for lease.



List of completed projects:

Project name	City	Category	Interests of the Company	Total GFA	Total saleable GFA	GFA sold	GFA held for sale	GFA held for lease	
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	
<b>Jiangsu province</b>									
1	Wuxi Wuzhou International Ornamental City	Wuxi	Merchandising and Logistics Center	100%	392	340	229	8	103
2	Wuxi Wuzhou International Industrial Exhibition City	Wuxi	Merchandising and Logistics Center	100%	440	395	322	7	66
3	Wuxi Wuzhou International Columbus Plaza	Wuxi	Multi-functional commercial complex	64.3%	212	169	106	19	44
4	Wuxi Wuzhou International Chinese Food Culture Exposition City	Wuxi	Multi-functional commercial complex	62%	191	154	69	39	46
5	Meicun Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	90%	54	40	17	-	23
6	Yangjian Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	142	105	69	19	17
7	Wuxi New District Columbus Plaza	Wuxi	Multi-functional commercial complex	100%	91	71	24	24	23

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)	
8	Luoshe Wuzhou International Columbus Dragon City	Wuxi	Multi-functional commercial complex	100%	52	38	14	9	15
9	Jianhu Wuzhou International Trade City	Jianhu	Merchandising and Logistics Center	100%	107	105	68	37	-
10	Yancheng Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	55	55	27	13	15
11	Huian Wuzhou International Plaza	Huian	Multi-functional commercial complex	100%	147	110	50	6	54
12	Wuzhou International Automobile Exhibition City	Nantong	Merchandising and Logistics Center	75%	107	106	47	59	-
13	Nantong Wuzhou International Plaza	Nantong	Multi-functional commercial complex	51%	353	254	113	78	63
14	Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional commercial complex	90%	230	185	86	65	34
				Subtotal	2,573	2,127	1,241	383	503
<b>Yunnan Province</b>									
15	Dali Wuzhou International Trade City	Dali	Merchandising and Logistics Center	100%	153	151	138	13	-
				Subtotal	153	151	138	13	-
<b>Chongqing Municipality</b>									
16	Rongchang Wuzhou International Trade City	Chongqing	Merchandising and Logistics Center	94%	278	278	110	83	85
				Subtotal	278	278	110	83	85
<b>Hubei Province</b>									
17	Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Merchandising and Logistics Center	100%	167	167	145	22	-
				Subtotal	167	167	145	22	-
<b>Shandong Province</b>									
18	Longkou Wuzhou International Trade City	Longkou	Merchandising and Logistics Center	95%	51	51	32	19	-
19	Yantai Wuzhou International Industrial Exhibition City (Fushan)	Yantai	Merchandising and Logistics Center	95%	55	55	54	1	-
				Subtotal	106	106	86	20	-

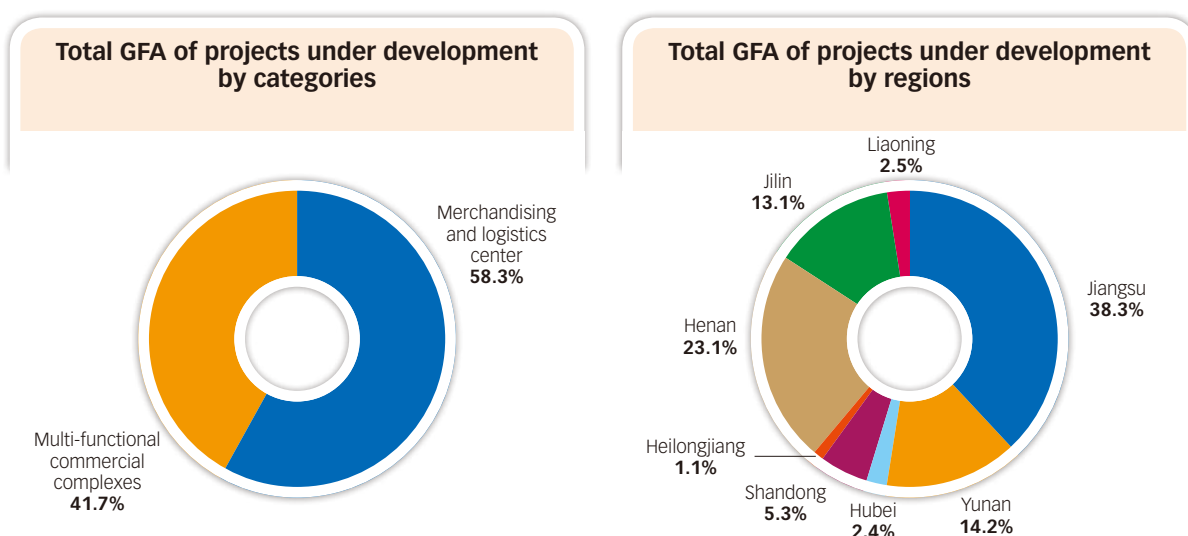
## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)	
<b>Zhejiang Province</b>									
20	Hangzhou Wuzhou International Plaza	Hangzhou	Multi-functional commercial complex	100%	76	59	31	6	22
21	Ruian Wuzhou International Trade City	Ruian	Merchandising and Logistics Center	100%	64	63	42	21	-
				Subtotal	140	122	73	27	22
<b>Heilongjiang Province</b>									
22	Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Merchandising and Logistics Center	100%	68	66	25	41	-
				Subtotal	68	66	25	41	-
<b>Henan Province</b>									
23	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Merchandising and Logistics Center	51%	144	143	74	69	-
				Subtotal	144	143	74	69	-
				Total	3,629	3,160	1,892	658	610

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

**Projects under development**

As at 31 December 2014, the Group had a total of 20 projects or project phases under development with a total planned GFA of 2,107,000 sq.m., including approximately 470,000 sq.m. of GFA pre-sold and approximately 284,000 sq.m. of GFA held for lease.



List of projects under development:

Project Name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)	
<b>Jiangsu Province</b>										
1	Wuxi Wuzhou International Industrial Exhibition City Phase II Hall D	Wuxi	Merchandising and Logistics Center	100%	2015	83	70	6	21	43
2	Wuxi Wuzhou International Ornamental City Phase V Hall F	Wuxi	Merchandising and Logistics Center	100%	2016	34	26	-	26	-
3	Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	80%	2015	74	60	7	34	19
4	Wuzhou International Automobile Exhibition City	Nantong	Merchandising and Logistics Center	75%	2015	180	123	34	89	-
5	Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional commercial complex	90%	2015	28	27	7	20	-

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

Project Name	City	Category	Interests of the Company	Estimated construction completion date		Total GFA	Total saleable GFA	GFA pre-sold	GFA held for sale	GFA held for lease
						('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
6	Yixing Wuzhou International Plaza	Yixing	Multi-functional commercial complex	51%	2016	118	93	10	64	19
7	Yixing Wuzhou International Huadong Trade City	Yixing	Merchandising and Logistics Center	100%	2015	66	65	14	51	-
8	Yancheng Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	2015	72	44	16	18	10
9	Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	2016	143	124	32	92	-
10	Huaian Wuzhou International Plaza	Huaian	Multi-functional commercial complex	100%	2016	10	10	-	10	-
					Subtotal	808	642	126	425	91
<b>Yunnan Province</b>										
11	Dali Wuzhou International Trade City	Dali	Merchandising and Logistics Center	100%	2015	140	139	17	33	89
12	Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	61%	2015	159	144	47	70	27
					Subtotal	299	283	64	103	116
<b>Hubei Province</b>										
13	Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Merchandising and logistics center	100%	2015	50	48	-	48	-
					Subtotal	50	48	-	48	-
<b>Shandong Province</b>										
14	China Longkou Wuzhou International Trade City	Longkou	Merchandising and logistics center	95%	2016	74	74	2	35	37
15	Leling Wuzhou International Exhibition City	Leling	Merchandising and logistics center	51%	2015	38	38	24	14	-
					Subtotal	112	112	26	49	37

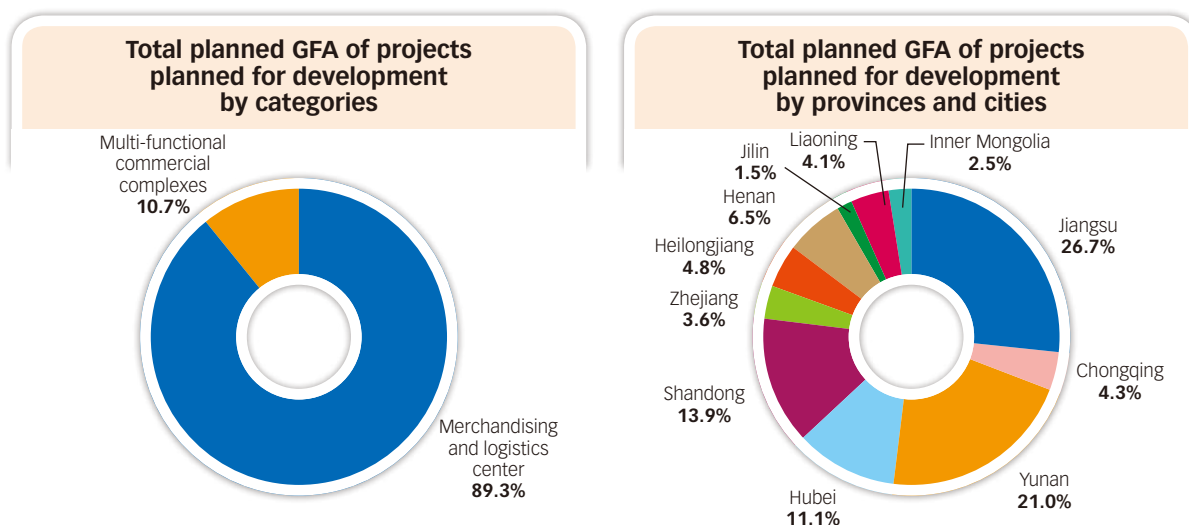
## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

Project Name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)	
<b>Heilongjiang Province</b>										
16	Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Merchandising and logistics center	100%	2015	23	23	-	23	-
					Subtotal	23	23	-	23	-
<b>Henan Province</b>										
17	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Merchandising and logistics center	51%	2015	66	63	-	63	-
18	Zhengzhou Wuzhou International Industrial Exhibition City	Zhengzhou	Merchandising and logistics center	100%	2016	421	360	184	176	-
					Subtotal	487	423	184	239	-
<b>Jilin Province</b>										
19	Changchun Wuzhou International Plaza	Changchun	Multi-functional commercial complex	100%	2015	275	235	25	170	40
					Subtotal	275	235	25	170	40
<b>Liaoning Province</b>										
20	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Merchandising and logistics center	100%	2015	53	52	45	7	-
					Subtotal	53	52	45	7	-
					Total	2,107	1,818	470	1,064	284

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

**Projects planned for development**

As at 31 December 2014, the Group had a total of 23 projects or project phases planned for development, with a total planned GFA of approximately 4,599,000 sq.m.



List of projects planned for future development:

Project Name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	
<b>Jiangsu Province</b>					
1	Wuxi Wuzhou International Industrial Exhibition City Product Exhibition Hall B and Building Complex	Wuxi	Merchandising and Logistics Center	100%	144
2	Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	80%	53
3	Huaian Wuzhou International Plaza Phase II	Huaian	Multi-functional commercial complex	100%	82
4	Jianhu Wuzhou International Trade City Phase II	Jianhu	Merchandising and Logistics Center	100%	114
5	Jianhu China Green Light Exposition City	Jianhu	Merchandising and Logistics Center	100%	94
6	Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	307
7	Wuzhou International Automobile Exhibition City	Nantong	Merchandising and Logistics Center	75%	134
8	Yixing Wuzhou International Huadong Trade City	Yixing	Merchandising and Logistics Center	100%	211
9	Xuzhou Road-port	Xuzhou	Merchandising and Logistics Center	70%	88
				Subtotal	1,227
<b>Chongqing City</b>					
10	Rongchang Wuzhou International Trade City Phase II	Chongqing	Merchandising and Logistics Center	94%	197
				Subtotal	197

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

Project Name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
<b>Yunnan Province</b>				
11	Dali Wuzhou International Trade City Phase III	Dali	Merchandising and Logistics Center	917
12	Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	48
Subtotal				965
<b>Hubei Province</b>				
13	Xiangyang Wuzhou International Industrial Exhibition City (Phase II)	Xiangyang	Merchandising and Logistics Center	512
Subtotal				512
<b>Shandong Province</b>				
14	Leling Wuzhou International Exhibition City	Leling	Merchandising and Logistics Center	414
15	China Longkou Wuzhou International Trade City	Longkou	Merchandising and Logistics Center	116
16	Yantai Wuzhou International Industrial Exhibition City	Yantai	Merchandising and Logistics Center	107
Subtotal				637
<b>Zhejiang Province</b>				
17	Ruian Wuzhou International Trade City	Ruian	Merchandising and Logistics Center	166
Subtotal				166
<b>Heilongjiang Province</b>				
18	Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Merchandising and Logistics Center	221
Subtotal				221
<b>Henan Province</b>				
19	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Merchandising and Logistics Center	64
20	Zhengzhou Wuzhou International Industrial Exhibition City	Zhengzhou	Merchandising and Logistics Center	234
Subtotal				298
<b>Jilin Province</b>				
21	Jilin Wuzhou International Trade City	Jilin	Merchandising and Logistics Center	70
Subtotal				70



## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

Project Name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	
<b>Liaoning Province</b>					
22	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Merchandising and Logistics Center	100%	189
				Subtotal	189
<b>Inner Mongolia Autonomous Region</b>					
23	Tongliao Wuzhou International Trade City	Tongliao	Merchandising and Logistics Center	100%	117
				Subtotal	117
				Total	4,599

**III. Land bank**

The Group considers that acquiring ample land bank at reasonable costs is crucial to the long term development and profitability of the Company. It carried out in-depth studies on local urban planning and acquired lands of substantial development potential in order to build new commercial areas and design projects in line with market demand. During the year under review, the Group strived to consolidate its existing land bank and actively expand and develop into other areas for more extensive land bank across China.

As of 31 December 2014, the total planned GFA of land bank amounted to approximately 8,008,000 sq.m., including approximately 1,302,000 sq.m. for completed projects, approximately 2,107,000 sq.m. for projects under development and approximately 4,599,000 sq.m. for projects planned for future development. The land bank is sufficient for the development of the Group in the future three to five years.

As at 31 December 2014, the breakdown of land bank by regions is as follows:

Region	Completed projects ('000 sq.m.)	Projects under development ('000 sq.m.)	Projects planned for future development ('000 sq.m.)	Total planned GFA of land bank ('000 sq.m.)
Jiangsu province	919	808	1,227	2,954
Yunnan province	18	299	965	1,282
Hubei province	29	50	512	591
Shandong province	28	112	637	777
Zhejiang province	66	–	166	232
Heilongjiang province	63	23	221	307
Henan province	86	487	298	871
Jilin province	–	275	70	345
Liaoning province	–	53	189	242
Chongqing city	93	–	197	290
Inner Mongolia Autonomous Region	–	–	117	117
Total	1,302	2,107	4,599	8,008

**MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW****IV. Centralized operation, management and marketing**

Most of the purchasers of its retail stores entered into exclusive operation and management agreements with the Group, under which the Group received management service income from the purchasers for managing and controlling the leases of the retail shops, event organization and ancillary service provision. The Group also provided the purchasers with services such as project positioning, planning, design, construction, marketing, leasing and operation so as to ensure the centralized operation of projects. In addition, the Group also provided general property management services for tenants and occupants.

The Group develops and operates its merchandising and logistics centers and multifunctional commercial complexes under the brands of “Wuzhou International” and “Columbus”. In order to unify the brand image of its specialized wholesale markets and multi-functional commercial complexes, its professional planning and marketing team is responsible for formulating the nation-wide promotion strategies and coordinating marketing activities. During the year under review, both the brand effect and visitor flow of its merchandising and logistics centers and multifunctional commercial complexes recorded significant growth attributable to various marketing and promotion activities and sponsorship for a number of activities. Moreover, asset management, construction, design and operation capability of the Group were highly recognized in the industry. As a result, the brands “Wuzhou International” and “Columbus” were well-received in the places where the Group operates.

**V. Outlook**

In 2015, China’s economy is shifting into a “new normal” and it will move ahead steadily backed by the stable external environment with an uptrend, further release of reform dividends and emerging engines of growth. China’s monetary policy will be more flexible and pertinent while remaining prudent, with interest rates and reserve requirements expected to be lowered, with an aim to lower financing costs in the real economic sector. The central government clearly stated to increase residents’ income, improve the consumption environment so that residents, either rural or urban, are able, bold and willing to spend. The merchandising and logistics industry which related to consumer services may be supported by additional policies in future, providing the Group new opportunities for development.

The Group has placed emphasis on its healthy and sustainable development, and the Group’s successful business model and strong operational management play a vital role for its development. Looking forward, the Group will strive to apply its successful business models for its business expansion in other rapidly-developing cities in China and maintain highly effective operation and management in developing commercial property business. The Group is committed to establish a new large-scale merchandising and logistics center and expand its business into major industrial cities and regional capital cities, such as Zhengzhou and Chongqing. In the long run, the Group’s business will continue to be expanded to the capital cities in mid-west region.

With the growth in China’s economy, convergence of markets at home and abroad and the expansion of domestic consumer markets, domestic demand for logistics property will grow accordingly. As the e-commerce industry has continued to develop rapidly, the shifting to e-commerce from traditional offline retailers will also make strong demand for logistics facilities. In addition, relocation of production bases towards inland China will create numerous opportunities of investment in logistics and storage facilities. The Group will keenly adopt various strategic measures by fully capitalizing its self-owned land resources, merchants’ network and operational advantages with an aim to accelerate upgrade and transformation of our business. The Group is committed to becoming a leading developer and operator of integrated merchandising and logistics platform, providing small and medium enterprises in China integrated platform services comprising trading, storage, logistics and e-commerce, linking all merchants to establish a cross-regional nationwide trading wholesale network.

Looking forward, the Company will adhere to the values advocated by the Group, “Create value for the customers. Generate wealth for the society”, so as to provide solid guarantee for the sustainable development of the Group and our projects.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### REVENUE

Our revenue comprises mainly income from the sale of properties, rental income, commercial and property management service income, property consulting service income and commissions from concessionaire sales after deduction of allowances for returns and trade discounts.

For the year ended 31 December 2014, turnover of the Group amounted to approximately RMB4,308 million, representing an increase of 6.4% from approximately RMB4,050 million for the corresponding year in 2013. Profit and total comprehensive income for the year attributable to the equity holders of the Company was approximately RMB253 million, representing a decrease of 75.2% from approximately RMB1,020 million for the corresponding year in 2013.

### Sale of Properties

Revenue from the sale of properties is recognized (i) when the significant risks and rewards of ownership of the properties are transferred to the purchasers; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties, are retained; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and (v) the cost incurred or to be incurred in relation to the transaction can be measured reliably. We consider that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the purchasers.

Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development increased by 5.0% to approximately RMB4,075 million for the year ended 31 December 2014 from approximately RMB3,880 million for the corresponding year in 2013. This increase was primarily due to an increase in the average selling price of properties sold to our customers, while offset by the decrease in total GFA sold.

## MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW

The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in the year of 2014 and 2013.

	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Total revenue RMB'000	GFA sq.m.	Average selling price RMB	Total revenue RMB'000	GFA sq.m.	Average selling price RMB
Nantong Wuzhou International Plaza (南通五洲國際廣場)	985,640	95,226	10,351	-	-	-
Hangzhou Wuzhou International Plaza (杭州五洲國際廣場)	618,562	28,310	21,850	-	-	-
Jiangyin Wuzhou International Plaza (江陰五洲國際廣場)	550,668	81,897	6,724	-	-	-
Wuxi Wuzhou International Chinese Food Culture Exposition City (無錫五洲國際中華美食城)	345,287	35,587	9,703	85,372	13,477	6,335
Luoyang Wuzhou International Industrial Exhibition City (洛陽五洲國際工業博覽城)	293,907	58,018	5,066	-	-	-
Ruian Wuzhou International Trade City (瑞安五洲國際商貿城)	177,160	14,776	11,990	-	-	-
Wuxi Wuzhou International Industrial Exhibition City (無錫五洲國際工業博覽城)	149,446	34,191	4,371	34,206	5,447	6,280
Wuzhou International Automobile Exhibition City (五洲國際汽車博覽城)	133,048	25,879	5,141	-	-	-
Luoshe Wuzhou International Columbus Dragon City (洛社五洲國際哥倫布六龍城)	121,553	4,647	26,157	219,306	8,972	24,444
Wuxi Wuzhou International Ornamental City (無錫五洲國際裝飾城)	99,711	9,051	11,017	1,817	207	8,756
Xiangyang Wuzhou International Industrial Exhibition City (襄陽五洲國際工業博覽城)	93,368	18,959	4,925	604,395	119,063	5,076
Longkou Wuzhou International Trade City (龍口五洲國際商貿城)	85,810	10,890	7,880	107,673	14,852	7,250
Mudanjiang Wuzhou International Industrial Exhibition City (牡丹江五洲國際工業博覽城)	80,435	17,432	4,614	-	-	-
Huaian Wuzhou International Plaza (淮安五洲國際廣場)	75,875	16,152	15,471	187,025	24,246	7,714
Rongchang Wuzhou International Trade City (榮昌五洲國際商貿城)	58,352	17,002	3,432	368,714	84,154	4,381
Dali Wuzhou International Trade City (大理五洲國際商貿城)	54,369	15,147	3,589	315,257	61,091	5,161

## MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW

	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Total revenue RMB'000	GFA sq.m.	Average selling price RMB	Total revenue RMB'000	GFA sq.m.	Average selling price RMB
Yixing Wuzhou International Huadong Trade City (宜興五洲國際華東商貿城)	33,934	6,185	5,486	–	–	–
Jianhu Wuzhou International Trade City (建湖五洲國際商貿城)	30,993	9,593	3,231	295,987	54,430	5,438
Wuxi New District Columbus Plaza (無錫新區哥倫布廣場)	26,502	2,062	12,852	–	–	–
Yangjian Wuzhou International Plaza (羊尖五洲國際廣場)	24,121	4,345	5,551	252,360	55,068	4,583
Wuxi Wuzhou International Columbus Plaza (無錫五洲國際哥倫布廣場)	22,446	1,451	15,469	725,937	47,520	15,276
Yantai Wuzhou International Industrial Exhibition City (Fushan) (煙台五洲國際工業博覽城(福山))	7,698	2,004	3,841	257,665	52,160	4,940
Yancheng Wuzhou International Plaza (鹽城五洲國際廣場)	6,092	968	6,293	402,356	25,254	15,933
Meicun Wuzhou International Plaza (梅村五洲國際廣場)	–	–	–	22,360	1,962	11,395
<b>Total</b>	<b>4,074,977</b>	<b>509,772</b>	<b>7,994</b>	3,880,430	567,903	6,833

**Rental Income**

Rental income generated from rental of investment properties increased by 22.2% to approximately RMB54 million for the year ended 31 December 2014 from approximately RMB44 million for the corresponding year in 2013. The increase was primarily due to the continuing growth of the investment properties.

**Commercial Management Service Income and Property Management Service Income**

We generate commercial management service income from most purchasers of the retail units at our projects pursuant to our exclusive operation and management agreements. Under these agreements, which we enter into with the purchasers at the pre-sale stage, we typically receive commercial management service income equivalent to the entire rental value of the underlying properties for the first three years, which typically commence upon the opening for operation of the building where the property is located, and then 10% of the rental value for the remaining years. In practice, we collect rents directly from the tenants of the underlying properties, retain our commercial management service fees and remit the remainder, if any, to the purchasers. To attract tenants, we may offer selected tenants rent-free periods ranging from two to six months. We typically secure tenants for the vast majority of the purchasers prior to the commencement of the initial period. Since we charge commercial management service fees based on the rental value of the underlying properties, we will not be able to receive any commercial management service fees in the event we are unable to lease out the underlying properties.

**MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW**

Commercial management service income increased by approximately 0.5% to approximately RMB92 million for the year ended 31 December 2014 which was approximately the same as the corresponding year in 2013. Property management service income increased by 26.2% to approximately RMB12 million for the year ended 31 December 2014 from approximately RMB9 million for the corresponding year in 2013. The stable commercial management service income was primarily due to the net effect of an increase in the GFA of the properties operated and managed by us and an increase of projects with service income derived from 10% of the rental value of properties. With the maturity of the wholesale market and commercial complex, property management service fees increased steadily which resulted in the increase of property management service income.

**Property consulting service income**

Property consulting service income was RMB47 million for the year ended 31 December 2014. It represents the revenue from consulting and advisory service rendered by the Group to third party companies in their development and construction of commercial properties.

**Commissions from concessionaire sales**

Revenue derived from the commissions from concessionaire sales decreased by 14.2% to approximately RMB9 million for the year ended 31 December 2014 from approximately RMB10 million for the corresponding year in 2013, which was resulted from the decrease of the relevant sales.

**GROSS PROFIT AND MARGIN**

Gross profit decreased by 15.3% to approximately RMB1,499 million for the year ended 31 December 2014 from approximately RMB1,769 million for the corresponding year in 2013. Gross profit margin decreased to 34.8% for the year ended 31 December 2014 from 43.7% for the corresponding year in 2013. The decrease in gross profit was in line with the decrease in gross profit margin for the year ended 31 December 2014 while the decrease in our gross margin was resulted from the change in product mix.

**OTHER INCOME AND GAIN**

Other income and gains increased by 218.7% to approximately RMB99 million for the year ended 31 December 2014 from approximately RMB31 million for the corresponding year in 2013, which was resulted from the fair value gains of convertible notes issued on 26 September 2014 and 22 October 2014 respectively. Other income and gains are mainly represented by subsidy income, interest income, fair value gain of convertible notes and certain non-recurring income and gains.

**SELLING AND DISTRIBUTION EXPENSES**

Our selling and distribution expenses increased by 43.9% to approximately RMB507 million for the year ended 31 December 2014 from approximately RMB352 million for the corresponding year in 2013. The increase was primarily due to an increase in general selling, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in the year of 2014 as compared to that in the corresponding year of 2013.

**ADMINISTRATIVE EXPENSES**

Our administrative expenses incurred was approximately RMB435 million for the year ended 31 December 2014 which was approximately the same as the corresponding year in 2013. This was resulted from the Group's policy of furthering the control of administrative expenses while the number of projects of the Group has been increased in the year of 2014.

**MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW****FINANCE COSTS**

Our finance costs increased by 33.8% to approximately RMB118 million for the year ended 31 December 2014 from approximately RMB89 million for the corresponding year in 2013. The increase was primarily due to an increase in bank loans, senior and convertible notes issuance to finance the business operation and development, which in turn increased the interest expenses, but most of the interest expenses incurred during the year was capitalised.

**INCOME TAX EXPENSES**

Our income tax expenses decreased by 32.8% to approximately RMB449 million for the year ended 31 December 2014 from approximately RMB669 million for the corresponding year in 2013. The decrease was primarily due to the combined effects of deferred tax assets credited to the income statement during the year 2014 and a decrease in enterprises income tax for lower profit margin projects recognised in the year of 2014.

**PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY**

Profit and total comprehensive income attributable to owners of the Company decreased by 75.2% to approximately RMB253 million for the year ended 31 December 2014 from approximately RMB1,020 million for the corresponding year in 2013. The decrease was primarily due to the decrease in the revaluation gain on the appreciation of our investment properties in the year of 2014 and increase in the selling and distribution expenses as compared to that in the corresponding year of 2013.

**LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES****Cash Position**

As at 31 December 2014, the Group's bank balances and cash (including restricted cash and pledged deposits) was approximately RMB1,802 million (2013: approximately RMB1,413 million), representing an increase of 27.5% as compared to that as at 31 December 2013. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As at 31 December 2014, the Group's restricted cash was approximately RMB89 million (2013: approximately RMB180 million), representing a decrease of 50.6% as compared to that as at 31 December 2013.

**Current Ratio and Gearing Ratio**

As at 31 December 2014, the Group has current ratio (being current assets over current liabilities) of approximately 1.07 compared to that of 1.18 as at 31 December 2013. The gearing ratio was 86.2% as at 31 December 2014 compared to that of 59.8% as at 31 December 2013. The gearing ratio was measured by net debt (aggregated bank loans and other borrowings, senior and convertible notes net of cash and cash equivalents, pledged deposits and restricted cash) over the total equity of the Group. The total debt (being aggregated bank loans and other borrowings, senior and convertible notes) over total assets ratio continued to be healthy, maintaining at 28.0% as of 31 December 2014 (2013: 24.6%).

**Borrowings and Charges on the Group's Assets**

As at 31 December 2014, the Group had an aggregate interest-bearing bank and other borrowings, senior and convertible notes of approximately RMB3,709 million (2013: approximately RMB3,187 million) and approximately RMB1,722 million (2013: RMB606 million), respectively. Amongst the bank and other borrowings, approximately RMB1,299 million (2013: approximately RMB1,082 million) will be repayable within 1 year, approximately RMB2,013 million (2013: approximately RMB1,792 million) will be repayable between 2 to 5 years and approximately RMB397 million (2013: approximately RMB313 million) will be repayable after 5 years. The senior notes are repayable between 2 to 5 years and convertible notes are redeemable on or after 30 September 2017.

**MANAGEMENT DISCUSSION AND ANALYSIS** FINANCIAL REVIEW

As at 31 December 2014, a substantial part of the bank and other borrowings were secured by land use rights and properties of the Group. The senior and convertible notes were jointly and severally guaranteed by certain subsidiary companies of the Group and secured by pledge of their shares. The bank and other borrowings were denominated in RMB while the senior and convertible notes were denominated in U.S. dollar.

**Exchange Rate Risk**

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings, senior and convertible notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. The Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

**Commitments**

As at 31 December 2014, the Group had no committed payment for the acquisitions of land use rights (2013: RMB183 million) and committed payment for properties under development amounting to approximately RMB2,950 million (2013: RMB1,885 million).

**Contingent Liabilities**

As at 31 December 2014, the Group had provided guarantees amounting to approximately RMB1,083 million (2013: approximately RMB1,003 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the year ended 31 December 2014 as the default risk is low.

**Employees and Remuneration Policies**

As at 31 December 2014, the Group had approximately 4,711 employees, of which 2,374 employees involved in the property development sector and 2,337 in the property operation services sector. Total staff costs, including directors' emoluments, for the year ended 31 December 2014 amounted to approximately RMB266 million (2013: approximately RMB214 million). Remuneration is determined by reference to their performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

The Company adopted a share option scheme which became effective on 27 May 2013 (the "Scheme"). In September 2013, the Group granted share options to subscribe for 93,119,611 shares of the Company (the "Shares") in conformity with the Scheme to some of the directors and employees of the Group, at an exercise price of HK\$1.27 per Share.

As at 31 December 2014, the total number of Shares in respect of which options were granted under the Scheme remain outstanding is 68,859,712 Shares, representing 1.48% of the total number of Shares in issue. For the year ended 31 December 2014, no share option has been granted and 2,168,000 Shares has been exercised under the Scheme.

**Use of Net Proceeds from the Company's Initial Public Offering**

As disclosed in the 2013 annual report and the announcement dated 9 July 2014 of the Company, the net proceeds from the global offering of the Company's Shares ("IPO Proceeds") amounted to approximately HK\$1,460 million (after deducting the underwriting commission and estimated expenses payable by the Group in relation to the listing of the Company after the exercise of the over-allotment option). As at 31 December 2013, the IPO Proceeds have been fully utilized.



# DIRECTORS' PROFILE

## EXECUTIVE DIRECTORS

**Mr. Shu Cecheng** (舒策城), aged 46, is our chairman. Mr. Shu was appointed as our Director on 22 June 2010 and was re-designated as an executive Director on 14 November 2012. He is the brother of Mr. Shu Cewan, our chief executive officer, Mr. Shu Ceyuan, our executive Director and Mr. Shu Cezhang, our Group's head of operations. Mr. Shu established the business of our Group in December 2004 and has been primarily responsible for the overall business, financial and strategic planning of our Group. Mr. Shu is also responsible for overall development of our Group's strategic direction and corporate policies and plays an active role in the development, maintenance and strengthening of client relations. Mr. Shu has over nine years of experience in the real estate development industry and he has been with our Group since December 2004. He has also been the executive director of certain of our Group companies. Throughout the years, Mr. Shu has held various positions in many professional organizations. For instance, Mr. Shu was appointed as the chairman of the Council of China SCmall Academy in October 2009 and has been the executive vice president of Wuxi Wenzhou Chamber of Commerce since November 2011. Mr. Shu has also been appointed as the committee member of the Wuxi Committee of the Chinese People's Political Consultative Conference since June 2012, and the executive director of the fourth Wuxi Charity Federation since May 2011. In addition, Mr. Shu is currently the chairman of the Sixth Council of Wuxi Market Association, the member of the Eleventh executive committee of Wuxi Association of Industry and Commerce, vice chairman of Wuxi Chamber of Commerce, vice chairman of the China Economic and Trade Promotion Association, vice chairman of the Federation of Private Enterprises of the Chinese Economy, chairman of Hong Kong Taishun Fraternity Association and vice chairman of Shanghai Jiangsu Chamber of Commerce.

Mr. Shu has also received many awards acknowledging his contributions and accomplishments in the area of real estate development. In 2013, Mr. Shu received the Personalities for the Year of PRC Branded Enterprises Award given by the Federation for the Development of Chinese Entrepreneurs, title of Pioneer Worker in the Chinese Market in 2013 PRC granted by the China Commercial Federation and the Personalities for the Year of PRC Branded Enterprises Award given by the Organizing Committee for Ceremonies of Chinese Branded Enterprises. Moreover, Mr. Shu was also named an Outstanding Capital Leader 2013, Pioneer of Businessmen Returning to Wenzhou 2014, Outstanding Personality in the Chinese Real Estate Sector 2014, "EY Entrepreneur of The Year China " in 2014 by Ernst & Young, Chinese Market Leader 2014 and Personality of the Year in the Third Wenzhou Natives in the World Award.

Mr. Shu has completed a three-year part-time programme and obtained a master of business administration at the Victoria University Switzerland in December 2012. He further obtained a master of business administration degree from Shanghai University of Finance and Economics in July 2013.

**Mr. Shu Cewan** (舒策丸), aged 45, is our chief executive officer. Mr. Shu was appointed as our Director on 14 November 2012. He is the brother of Shu Cecheng, our chairman, Mr. Shu Ceyuan, our executive Director and Mr. Shu Cezhang, our Group's head of operations. Mr. Shu is closely involved in our operations and oversees all the key aspects of our operations and business, including the planning and implementation of our projects. Mr. Shu has over nine years of experience in the real estate development industry, and he has been with our Group since December 2004. Mr. Shu was the general manager and vice-president of certain of our Group companies. Since joining our Group, Mr. Shu has been responsible for the overall day-to-day management of these Group companies, particularly in the aspects of operation, administration and finance.

## DIRECTORS' PROFILE

Mr. Shu was named a Driving Force Figure in China's Commercial Property Sector in 2010 by the Organizing Committee of the Fifth Annual Conference of the Chinese Commercial and Office Property Sector in May 2010. In March 2011, he was named among the Most Respected Private Entrepreneurs in China by the Chinese Enterprise Evaluation Association and Association for the Promotion of International Cooperation and Development of Chinese Private Enterprises. In November 2011, he was named an Influential Personality in the Chinese Commercial Property Sector at the Chinese Commercial Property Business Conference. He was granted the title of Outstanding Private Entrepreneur of Jiangsu Province in October 2014. Since 2011, Mr. Shu has been vice chairman of Wuxi Wenzhou Chamber of Commerce. He is also the vice chairman of the Federation of Chinese Private Enterprises, member of the Chong An District Committee (Wuxi) of the Chinese People's Political Consultative Conference and a council member of the Chong An District Industrial and Commercial Federation in Wuxi.

Mr. Shu completed an online programme and graduated from Jiangnan University with a diploma in business management in July 2011 as well as has completed a three-year part-time programme and obtained a master of business administration at the Victoria University Switzerland in December 2012.

**Mr. Shu Ceyuan** (舒策員), aged 41, was appointed as our executive Director on 14 November 2012. He is the brother of Shu Cecheng, our chairman, Mr. Shu Cewan, our chief executive officer and Mr. Shu Cezhang, our Group's head of operations. Mr. Shu has over ten years of experience in the real estate development industry. In particular, Mr. Shu is familiar with the area of property construction and plays a vital role in the planning and controlling processes for our construction works. Mr. Shu has been with our Group since March 2004 and has been the vice president of certain of our Group companies, primarily in charge of its planning and design center, project management center and cost-control center.

Mr. Shu has completed a three-year part-time programme and obtained a master of business administration at the Victoria University Switzerland in December 2012.

**Ms. Wu Xiaowu** (吳曉武), aged 48, was appointed as our executive Director on 14 November 2012. Ms. Wu has over 26 years of experience in financial management. Ms. Wu joined our Group in 2009 and was appointed as the chief financial officer in 2010, mainly responsible for overseeing our Group's financial matters, such as management reporting, group budgeting and forecasting as well as internal control and risk management. Prior to joining our Group, Ms. Wu was the director and chief financial officer of Wuxi Huadong Cocoa Food Co., Ltd. from 2007 to 2009 and was in charge of the company's financial matters. Between 2001 and 2007, Ms. Wu served as the chief financial officer of Wuxi Taian Automation Co., Ltd. and was in charge of overall financial management of the company. Prior to that, from 1988 to 2001, Ms. Wu was the head of the financial department of Wuxi Zhongya Wool Spinning and Printing Co., Ltd., and was responsible for the management of the company's financial matters.

Ms. Wu graduated from Jiangsu University with a diploma in accounting in July 2003. Ms. Wu was qualified as a senior accountant by the Personnel Department of Jiangsu Province in October 2007 and later accredited as senior accountant by the International Profession Certification Association in November 2011. Ms. Wu has completed a three-year part-time programme and obtained a master of business administration at the Victoria University Switzerland in December 2012.

**Mr. Zhao Lidong** (趙立東), aged 45, was appointed as our executive Director on 14 November 2012. Mr. Zhao has over 15 years of experience in the property development industry. In particular, Mr. Zhao is familiar with the area of property construction and supervises our executive Director, Mr. Shu Ceyuan, in the planning and controlling for the construction of our projects. Mr. Zhao joined our Group in November 2011, and was responsible in overseeing our planning and design center, project management center, cost-control center, human resources centre, administrative information centre and our Group's commercial management subsidiaries.

## DIRECTORS' PROFILE

Between 2003 and 2011, Mr. Zhao held various positions in Dalian Wanda Group Co., Ltd., including serving as the engineer of Dalian Wanda Group Commercial Property Management Co., Ltd., the deputy general manager of Wuhuan Wanda Group Plaza Commercial Management Co., Ltd. and Tianjin Wanda Plaza Commercial Management Co., Ltd., and as the general manager of property management department, construction department and preparatory department of Wanda Commercial Management Co., Ltd. His scope of responsibilities included project management and operational management.

Prior to that, from 1999 to 2003, Mr. Zhao was the project director of Dalian Commercial Construction Supervision Company, responsible for overseeing different construction projects. Between 1996 and 1999, Mr. Zhao worked at Dalian Tariff-free Zone Wote International Commerce Co., Ltd. as the manager of the engineering department, mainly responsible for the construction project of water supply systems. From 1992 to 1996, Mr. Zhao worked at Dalian Power Station which is now known as Dalian Power Co., Ltd. as an engineer and technical specialist, primarily responsible for the installation of electricity and heating systems.

Mr. Zhao graduated from Dalian University in July 1992 with a diploma in thermal power engineering. Mr. Zhao later obtained a bachelor's degree from Dalian University of Technology in July 1999, majoring in computer applications. Mr. Zhao was qualified as a heating and ventilation engineer in November 2000.

### NON-EXECUTIVE DIRECTOR

**Mr. Wang Wei** (王威), aged 45, was appointed as our non-executive Director on 26 September 2014. He has over 20 years of experience in international capital markets. Since early 2013, Mr. Wang has been the general manager of Ping An Real Estate Fund Management (平安不動產股權投資管理有限公司). From late 2009 to early 2013, Mr. Wang was managing director of Forum Partners Investment Management, a United States real estate private equity fund, responsible for the firm's overall operation and development in China. Between 2008 and 2009, Mr. Wang was a vice president and chief financial officer of Sunshine 100 China, a commercial and residential real estate developer in second and third-tier Chinese cities. From 2005 to 2007, Mr. Wang had been the managing director, member of the China management committee, and co-head of China Fixed Income at UBS. Between 1994 and 2005, Mr. Wang held various positions in fixed income, and equity capital market divisions at J.P. Morgan, in New York, Singapore and Hong Kong. Prior to that, from 1991 to 1994, Mr. Wang worked at the treasury department of Bank of China, Head Office in Beijing, China, participating into the development of financing debt from overseas and financial derivatives.

Mr. Wang Wei graduated from Columbia Business School with a MBA degree in 2002, and from Fudan University with a bachelor's degree in economics in 1991.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Song Ming** (宋敏), aged 53, was appointed as our independent non-executive Director on 18 May 2013. Dr. Song has over 23 years' experience in the research of bank regulation and management, financial market, derivatives and macroeconomics. Dr. Song is currently the director of the department of finance and a professor at the school of economics at Peking University. Dr. Song was employed by the school of economics and finance of the University of Hong Kong since 1997 and is currently a professor at the school. Between 1991 and 1997, Dr. Song was the associate professor and assistant professor at the department of economics, Cleveland State University. In addition, Dr. Song is currently the director of Centre for China Financial Research and the associate director of Institute for China and Global Development at the University of Hong Kong. Dr. Song has been heavily involved in various academic conferences, research and consultation projects.

## DIRECTORS' PROFILE

Dr. Song has been appointed as an independent non-executive director of the United Laboratories International Holdings Limited (stock code: 3933) and Guotai Junan International Holdings Limited (stock code: 1788) since 2007 and 2010 respectively.

Dr. Song is currently the vice president of the Chinese Financial Association of Hong Kong. Dr. Song has also been involved in different advisory committees of the Hong Kong Government. Dr. Song is a member of the Advisory Committee on Human Resources Development in the Financial Services Sector in Hong Kong.

Dr. Song graduated from Zhejiang University in July 1982 with a bachelor's degree in applied mathematics. Dr. Song later obtained his master of applied mathematics from Huazhong Institute of Technology, currently known as Huazhong University of Science and Technology, in July 1985. Dr. Song was awarded a doctorate degree by Ohio State University in June 1991.

**Mr. Lo Kwong Shun Wilson** (羅廣信), aged 41, was appointed as our independent non-executive Director on 18 May 2013. He has more than 12 years' experience in investment banking and advising on corporate finance and 4 years' experience in accounting and auditing. Mr. Lo has been working at Guotai Junan Capital Limited since 2002 and is currently the managing director, where he has been involved in various listing and restructuring transactions. Prior to that, from 1999 to 2002, he worked at Kingsway Capital Limited and BOCI Asia Limited, responsible for handling corporate finance assignments and assisting the analysis of various proposed listing projects while working alongside other professionals. Between 1996 and 1999, Mr. Lo worked at KPMG and was responsible for the audit of companies of various industry sectors. Mr. Lo has been independent non-executive directors of Kingdom Holdings Limited (stock code: 528), Raymond Industrial Limited (stock code: 229) and Huiyin Household Appliances (Holdings) Co., Ltd. (stock code: 1280) since 2010, 2013 and 2013, respectively.

Mr. Lo has been a member of the American Institute of Certified Public Accountants since December 1999 and a member of the Hong Kong Institute of Certified Public Accountant since September 2005. Mr. Lo has been a chartered financial analyst registered with the Association for Investment Management and Research since September 2001. Mr. Lo obtained his bachelor degree in commerce from University of British Columbia in May 1995.

**Prof. Shu Guoying** (舒國瀾), aged 55, was appointed as our independent non-executive Director on 18 May 2013. He has more than 27 years' experience in the PRC law, particularly in the teaching of jurisprudence and legal methodology.

Prof. Shu has held various teaching positions in the China University of Political Science and Law ("CUPL") since 1987, where he first started as a teaching assistant and was later promoted to lecturer, associate professor and professor in 1988, 1994 and 2001 respectively. Prof. Shu has also been a member of the Academic Committee of CUPL since 2001. In addition, from 2006 to 2008, Prof. Shu was a part-time professor of China Foreign Affairs University and has held positions in many professional organizations. For instance, Prof. Shu has been a member of the proposition committee of the Chinese National Judicial Examination between 2002 and 2005 and a member of the First Legislative and Legal Expert Committee of the Beijing People's Municipal Government between 2009 and 2014. Throughout his professional career in the legal academia, Prof. Shu has published numerous books and journal articles in the PRC.

Prof. Shu graduated from CUPL with a bachelor's degree in law in July 1983, and later with a master's degree in law in July 1986.

## SENIOR MANAGEMENT'S PROFILE

**Mr. Zhu Aiming** (朱愛明), age 48, is our Group's head of development. Mr. Zhu joined our Group in 2007 as the deputy general manager, and worked as the general manager since 2010, of Wuxi Zhongnan Property Investment Co., Ltd and was responsible for project management, coordinating with external parties and obtaining governmental approvals for various construction projects. Prior to joining our Group, from 2005 to 2007, Mr. Zhu worked as the deputy general manager of Wuxishi Xiaoying Environmental Technology Co., Ltd., where he helped establish the management system, facilitated and supervised work progress, and was in charge of business development and assessment plans. Prior to that, between 2004 and 2005, Mr. Zhu was the general manager of Wuxi Fengshuilong International Property Co., Ltd. where he was involved in the implementation of sales targets, supervision of project planning and operation management, and budgeting and coordination between internal and external working teams. Between 2003 and 2004, Mr. Zhu was the logistics manager of Shenzhen Oriental English College and was in charge of logistics management and public relations. From 1995 to 2002, Mr. Zhu worked at Qinghai Securities Co., Ltd. Shenzhen headquarter as the administrative officer, and was primarily responsible for supervising work process, implementing internal management plans and developing public relations. Mr. Zhu was the chief logistics officer of Tuboscope Far East Pte., Ltd. from 1992 to 1994 and was responsible for supervising the company's daily logistics and its management system.

Mr. Zhu graduated from Yancheng Institute of Technology in June 1984 with a diploma in urban construction and management. In April 2010, Mr. Zhu was qualified as a senior strategist by National Talent Service Centre under the Ministry of Human Resources.

**Mr. Shu Cezhang** (舒策張), age 36, is our Group's head of operations. Mr. Shu joined our Group in 2005 and has held various positions including the deputy general manager of our Group's commercial operation center and the general manager of our Group's commercial management companies, where he has been primarily involved in their overall administration and operations. Mr. Shu is the brother of Shu Cecheng, our chairman, Mr. Shu Cewan, our chief executive officer and Mr. Shu Ceyuan, our executive Director.

Mr. Shu is currently the director of certain of our Group companies. He graduated from California American University in January 2013 with an external degree of MBA. Mr. Shu was awarded the 2012 China Commercial Property New Talent Award by the Organizing Committee of the China Commercial Property Fair in October 2012.

**Mr. Shen Xin** (沈欣), aged 45, is our Group's head of engineering. Mr. Shen was the vice president of certain of our Group companies, and was responsible for the audit center and the cost control center. Prior to joining our Group, from 2000 to 2012, Mr. Shen held managerial positions at a number of real estate development companies in the PRC. Between 1991 and 2000, Mr. Shen worked as a designer in China Architecture Dongnan Design Institute, which is now known as China Architecture Shanghai Design Institute Co., Ltd., where he was mainly responsible for structural design, contract and operation management.

Mr. Shen graduated from Tongji University in December 1997 with a bachelor's degree in engineering by way of self-study, majoring in industrial and civil construction. He later earned his second bachelor's degree in management from Tongji University in June 2001 by way of self-study, majoring in construction management. Mr. Shen was qualified as an engineer in December 1998 by China Architecture and Construction Co. and China Architecture Dongnan Design Institute, and later as a class 1 registered structural engineer in January 1999 by the National Administration Board of Engineering Registration (Structural) PRC).

**Mr. Li Feng** (李峰), aged 35, is the head of marketing of the Group. Mr. Li joined the Group in 2007 and has been sales director of Wuxi Zhongnan and general manager of the sales centre of the Company and international commercial property planning. Mr. Li is primarily responsible for sales, marketing and investment. Prior to joining the Group, Mr. Li worked as project director of Shenzhen Angel Properties Consulting Co., Ltd. (深圳市安佳置業顧問有限公司) from 2006 to 2007 principally involved in the marketing and project financing for commercial property projects in Jiangsu. From 2005 to 2006, Mr. Li was senior planning manager of Shenzhen Shanghe Business Operation Management Co., Ltd. (深圳市尚和商業運營管理有限公司) with roles in project planning and project financing. From 2002 to 2005, he was manager of the planning department of Shenzhen Shangyue Advertising Co., Ltd. (深圳市尚玥廣告有限公司) with duties in advertising planning for projects.

## SENIOR MANAGEMENT'S PROFILE

**Mr. Cheung Man Hoi** (張文海), FCCA, CPA, aged 44, is the Chief Financial Officer of our Company. Mr. Cheung joined the Group in July 2014. Prior to joining the Group, Mr. Cheung had served duties as group financial controller, chief financial officer or executive director in various companies listed on the Main Board of The Stock Exchange, including Tianjin Development Holdings Limited (Stock Code: 882) from 2000 to 2003, Nine Dragons Paper (Holdings) Limited (Stock Code: 2689) from 2007 to 2008, and SPG Land (Holdings) Limited (Stock Code: 337) from 2009 to 2012. He also worked in PricewaterhouseCoopers for over seven years. Mr. Cheung graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Hons) in Accountancy in 1993 and the Chinese University of Hong Kong with an Executive MBA degree in 2003. Mr. Cheung is also a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has accumulated over 20 years of experience in professional accounting, business consulting and corporate management.

**Mr. Shen Xiaowei** (沈曉偉), aged 38, is our Group's financial controller. Mr. Shen joined our Group in 2011 as the deputy director of the financial management center and fund management center. Prior to joining our Group, Mr. Shen served as a deputy director of the business division of Wuxi Zhongxin Tax Agency Co., Ltd. from 2008 to 2010 and was responsible for the tax auditing and planning, team management and external coordination within the real estate development industry. Between 1998 and 2007, Mr. Shen was the auditor of Wuxi Zhongxin Accountants Co., Ltd. and was responsible for capital verification, financial auditing and tax auditing.

Mr. Shen obtained a diploma in accounting from Nanjing Audit University in July 1998. Mr. Shen was qualified as a registered tax agent by the Ministry of Personnel of the People's Republic of China and State Administration of Taxation in February 2005. Mr. Shen was also qualified as certified public accountants in China by the Chinese Institute of Certified Public Accountants in February 2005. Mr. Shen has been appointed as a member of the tax advisory group of Wuxi Construction Industry Taxpayers in 2009.

**Mr. Zeng Jiamu** (曾家畝), aged 39, is our Group's head of administration. Mr. Zeng joined our Group in 2008 and has been in charge of the general management of several of our Group companies. Mr. Zeng has been the executive director and deputy general manager of certain of our Group companies, and has been responsible for the day-to-day management.

Mr. Zeng was qualified by China National Center for Human Resources and Research Center for Professional Manager as a senior manager in 2008. Mr. Zeng is currently pursuing a diploma in business administration at the Yancheng Broadcast and Television University Tinghu Campus by way of long-distance learning.

**Ms. Cai Qiaoling** (蔡巧玲), aged 33, is our Group's head of human resources. Ms. Cai joined our Group as a secretary of the chairman in 2007, and was mainly responsible for handling legal matters and assisting the chairman in day-to-day matters. Prior to joining our Group, from 2005 to 2006, Ms. Cai worked as an assistant in Shanghai Jinxiao Law Firm where she assisted lawyers in managing and filing documents.

Ms. Cai graduated from East China College of Political Science and Law, which is currently known as East China University of Political Science and Law, in June 2004 with a diploma in law by way of self-study. Ms. Cai was certified as a top-level economic engineer by Accreditation Center for National Vocational Qualification Examination ("NVQE") in November 2008. Later in January 2009, Ms. Cai was certified by NVQE as a top-level tax strategist.

## COMPANY SECRETARY

Mr. Cheung Man Hoi (張文海) is our company secretary (the "Company Secretary") with effect from 30 June 2014. For more information on the biographical details of Mr. Cheung, please refer to the section headed "Senior Management's Profile".

# REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2014.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 21 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 statement of comprehensive income on page 64.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK 3.5 cents per share).

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 164 of this annual report.

## SHARE CAPITAL AND SHARE OPTIONS

Details of change during the year in the share capital and share options of the Company are set out in note 34 and note 36, respectively, to the consolidated financial statements.

## DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2014 amounted to RMB2,824,000 (2013: RMB4,754,000)

## PROPERTY, PLANT AND EQUIPMENT

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

## RESERVES

Details of movement in the reserves of the Company and the Group for the year ended 31 December 2014 are set out in the consolidated statement of changes in equity on page 67 and note 37 to the consolidated financial statements.

Distributable reserves of the Company as at 31 December 2014, calculated under the Cayman Islands Companies Law, amounted to RMB740,167,000 (2013: RMB1,017,880,000) representing share premium of RMB950,085,000, setting off by accumulated losses of RMB209,918,000.

## REPORT OF THE DIRECTORS

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

#### Executive directors:

Mr. Shu Cecheng (Chairman)  
Mr. Shu Cewan (Chief Executive Officer)  
Mr. Shu Ceyuan  
Ms. Wu Xiaowu  
Mr. Zhao Lidong

#### Non-executive director:

Mr. Wang Wei (appointed on 26 September 2014)

#### Independent non-executive directors:

Dr. Song Ming  
Mr. Lo Kwong Shun Wilson  
Prof. Shu Guoying

In accordance with Article 104 (a) of the Company's articles of association (the "Articles of Association"), Ms. Wu Xiaowu, Mr. Zhao Lidong and Dr. Song Ming will retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, have offered themselves for re-election.

In accordance with Article 99 (c) of the Articles of Association, Mr. Wang Wei will retire from office at the AGM and, being eligible, has offered himself for re-election at the AGM.

A circular containing the explanatory statement on repurchase by the Company of its Shares, the biographical details of the director candidates and the notice of the AGM will be sent to Shareholders of the Company.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 18 May 2013.

Each of the independent non-executive Directors is appointed for initial term of three years commencing from 18 May 2013.

The Company entered into a letter of appointment with its non-executive Director, Mr. Wang Wei. Mr. Wang has been appointed for a term commencing from 26 September 2014 until the next following annual general meeting of the Company at which he will be eligible for re-election. Thereafter, he will be subject to retirement by rotation and re-election at least once every three years at annual general meetings in accordance with the Articles of Association. Mr. Wang will not receive any Director's fee as a non-executive Director.

No director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.



## REPORT OF THE DIRECTORS

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As of 31 December 2014, the interests and short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, to be entered in the register maintained 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

**(i) Long positions in the Shares and underlying Shares**

Name of Director/Chief Executive	Long/Short position	Nature of interests	Number of issued Shares held	Interest in underlying Shares	Approximate percentage of shareholding
Mr. Shu Cecheng	Long position	Interest of controlled corporation <sup>(1)</sup>	3,387,940,295	–	72.73%
Mr. Shu Cewan	Long position	Interest of controlled corporation <sup>(1)</sup>	3,387,940,295	–	72.73%
	Long position	Personal	–	3,000,000 <sup>(5)</sup>	0.06%
Mr. Shu Ceyuan	Long position	Interest of controlled corporation <sup>(2)</sup>	8,384,297	–	0.18%
	Long position	Personal	–	2,000,000 <sup>(5)</sup>	0.04%
Ms. Wu Xiaowu	Long position	Interest of controlled corporation <sup>(3)</sup>	8,384,297	–	0.18%
	Long position	Personal	–	2,000,000 <sup>(5)</sup>	0.04%
Mr. Zhao Lidong	Long position	Interest of controlled corporation <sup>(4)</sup>	3,832,821	–	0.08%
	Long position	Personal	–	2,600,000 <sup>(5)</sup>	0.06%
Dr. Song Ming	Long position	Personal	–	500,000 <sup>(5)</sup>	0.01%
Mr. Lo Kwong Shun Wilson	Long position	Personal	–	500,000 <sup>(5)</sup>	0.01%
Prof. Shu Guoying	Long position	Personal	–	500,000 <sup>(5)</sup>	0.01%

**REPORT OF THE DIRECTORS**

Notes:

- (1) Boom Win Holdings Limited ("Boom Win") is owned as to 60% by Mr. Shu Cecheng and 40% by Mr. Shu Cewan and Mr. Shu Cecheng and Mr. Shu Cewan are deemed to be interested in the Shares held by Boom Win for the purpose of Part XV of the SFO.
- (2) Dream Chaser Holdings Limited ("Dream Chaser") is wholly owned by Mr. Shu Ceyuan and Mr. Shu Ceyuan is deemed to be interested in the Shares held by Dream Chaser for the purpose of Part XV of the SFO.
- (3) Starry Horizon Holdings Limited ("Starry Horizon") is wholly owned by Ms. Wu Xiaowu and Ms. Wu Xiaowu is deemed to be interested in the Shares held by Starry Horizon for the purpose of Part XV of the SFO.
- (4) Mastery Ventures Holdings Limited ("Mastery Ventures") is wholly owned by Mr. Zhao Lidong and Mr. Zhao Lidong is deemed to be interested in the Shares held by Mastery Ventures for the purpose of Part XV of the SFO.
- (5) The relevant Director/Chief Executive was granted options to subscribe for such number of Shares under Scheme on 24 September 2013.

**(ii) Long position in 13.75% senior notes due 2018 issued by the Company**

The following Director has interests in the 13.75% senior notes due 2018 issued by the Company (the "2018 Senior Notes"). Details of the 2018 Senior Notes held by the Director as at 31 December 2014 were as follows:

Name of Director	Nature of interest	Amount of 2018 Senior Notes in USD held	Percentage to the total 2018 Senior Notes in issue as at 31 December 2014
Wu Xiaowu	Personal interests	1,750,000	0.875%

**(iii) Long positions in Associated Corporation**

Name of Director	Nature of interest	Name of associated corporation	No. of shares held	Description of shares	Percentage of that associated corporation's issued share capital
Mr. Shu Cecheng	Corporate interest	Boom Win	30,000 shares	Par value of US\$1.00	60%
Mr. Shu Cewan	Corporate interest	Boom Win	20,000 shares	Par value of US\$1.00	40%
Mr. Shu Ceyuan	Corporate interest	Dream Chaser	1 share	Par value of US\$1.00	100%
Ms. Wu Xiaowu	Corporate interest	Starry Horizon	1 share	Par value of US\$1.00	100%
Mr. Zhao Lidong	Corporate interest	Mastery Ventures	1 share	Par value of US\$1.00	100%

## REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executive of the Company had an interest or short position in the equity or debt securities of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which they were taken or deemed or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### SHARE OPTION SCHEME

The Company adopted the Scheme which became effective on 27 May 2013 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include (i) any employee (whether full time or part time) of the Company, its subsidiaries or any entity in which the Group holds any equity interest (the "Invested Entity"), including any executive director of the Company, its subsidiaries or Invested Entity; (ii) any non-executive director (including independent non-executive director) of the Company, its subsidiaries or any Invested Entity; or (iii) any senior management of our Company, its subsidiaries or Invested Entity, who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 6 years from the date of its adoption.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of our Company must not in aggregate exceed 10% of the Shares in issue when the Scheme was adopted, unless with the prior approval from the Company's Shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to each eligible participant in any 12-month period is not permitted to exceed 1% of Shares in issue, unless with the prior approval from the Company's Shareholders and with such participants and his associates abstaining from voting. Options granted to a connected person of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK\$5 million, such grant of options shall be subject to prior approval by resolutions of the Shareholders (voting by way of poll).

An offer of the grant of an option under the Scheme shall remain open for acceptance for 15 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK\$1 to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 6 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the date of grant of that option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant of that option; and (iii) the nominal value of the Shares.

**REPORT OF THE DIRECTORS**

As at 31 December 2014, the total number of Shares in respect of which options were granted under the Scheme remain outstanding is 68,859,712 Shares, representing 1.48% of the total number of Shares in issue. For the year ended 31 December 2014, no share option has been granted and 2,168,000 Shares has been exercised under the Scheme.

The summary below set out the details of options granted as at 31 December 2014 pursuant to the Scheme.

Name	Date of grant	Exercise price HK\$	Closing price of the Shares on the date of grant HK\$	Balance as at 1 January 2014	Number of share option				Balance as at 31 December 2014
					Grant during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	
Mr. Shu Cewan	24 September 2013	1.270	1.270	3,000,000	-	-	-	-	3,000,000 <sup>Note</sup>
Mr. Shu Ceyuan	24 September 2013	1.270	1.270	2,000,000	-	-	-	-	2,000,000 <sup>Note</sup>
Ms. Wu Xiaowu	24 September 2013	1.270	1.270	2,000,000	-	-	-	-	2,000,000 <sup>Note</sup>
Mr. Zhao Lidong	24 September 2013	1.270	1.270	2,600,000	-	-	-	-	2,600,000 <sup>Note</sup>
Dr. Song Ming	24 September 2013	1.270	1.270	500,000	-	-	-	-	500,000 <sup>Note</sup>
Mr. Lo Kwong Shun Wilson	24 September 2013	1.270	1.270	500,000	-	-	-	-	500,000 <sup>Note</sup>
Prof. Shu Guoying	24 September 2013	1.270	1.270	500,000	-	-	-	-	500,000 <sup>Note</sup>
Other employees of the Group	24 September 2013	1.270	1.270	75,519,378	-	(2,168,000)	-	(15,591,666)	57,759,712 <sup>Note</sup>
Total				86,619,378	-	(2,168,000)	-	(15,591,666)	68,859,712

Note:

The share options are exercisable during the following periods:

- up to 30% of the share options granted to each grantee at any time after the expiration of 12 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board; and
- up to 30% of the share options granted to each grantee at any time after the expiration of 24 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board; and
- up to 40% of the share options granted to each grantee at any time after the expiration of 36 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board.

## REPORT OF THE DIRECTORS

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 26 September 2013, the Company issued the 2018 Senior Notes in the aggregate principal amount of US\$100 million ("Original Notes"). On 16 January 2014, the Company further issued the 2018 Senior Notes in an additional aggregate principal amount of US\$100 million ("Additional Notes"), for the purpose of funding the existing and new real estate projects and general corporate purposes. Both the Original Notes and the Additional Notes, which form the 2018 Senior Notes, were issued on the same terms and conditions.

The Company issued the 7.00% convertible notes due 2019 (the "Convertible Notes") in an aggregate principal amount of US\$100 million by two tranches of US\$50 million each on 26 September 2014 and 22 October 2014 respectively. The coupon interest rate is 7% per annum, payable semi-annually in arrears on 30 March and 30 September in each year. The holders of the Convertible Notes have the option to convert the Convertible Notes into Shares at an initial conversion price of HK\$1.78 per Share (subject to adjustment). The holders of the Convertible Notes shall have the right to require the Company to redeem all or some only of such holder's Convertible Notes at any time on or after 30 September 2017 at its early redemption amount at such redemption date as specified in the relevant notice of the relevant holder together with interest accrued and unpaid to the redemption date. Unless previously redeemed, repaid, converted or purchased and cancelled, the Company will redeem the Notes at approximately 137.48% of its principal amount on 30 September 2019.

During the year ended 31 December 2014, the Convertible Notes were not converted into Shares.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2014.

### DIRECTOR'S INTERESTS IN SIGNIFICANT CONTRACTS

No significant contract, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### MANAGEMENT CONTRACT

No management contracts in force during the year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

**REPORT OF THE DIRECTORS****SUBSTANTIAL SHAREHOLDERS**

As of 31 December 2014, so far as the Directors or chief executives of the Company were aware, the person(s) (other than a Director or chief executives of the Company) who had interests or short positions in any Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Nature of Interest	Number of Shares/ underlying Shares held	Approximate Percentage of interest in our Company as at 31 December 2014
Boom Win	Beneficial interest <sup>(1)</sup>	3,387,940,295	72.73%
Ping An Insurance (Group) Company of China, Ltd.	Interest of controlled corporation <sup>(3)</sup>	261,573,033 <sup>(2)</sup>	5.62%

Notes:

- (1) Boom Win is owned as to 60% by Mr. Shu Cecheng and 40% by Mr. Shu Cewan. Each of Mr. Shu Cecheng and Mr. Shu Cewan is deemed to be interested in the Shares held by Boom Win for the purpose of Part XV of the SFO.
- (2) Interests in the convertible notes.
- (3) This represents derivative interests in the underlying Shares. Pingan Real Estate (HongKong) Company Ltd. holds a direct interest in the Convertible Notes which will be convertible into 226,696,629 Shares and is owned as to 100% by Ping An Real Estate Company Ltd.. Ping An Real Estate Company Ltd. is 100% controlled by Ping An Life Insurance Company of China Ltd., Ping An Property Insurance Company of China Ltd., Shenzhen Ping An Venture Capital Investment Company Ltd. and Shenzhen Ping An Property Investment Company Ltd., collectively. Ping An Life Insurance Company of China Ltd. and Ping An Property Insurance Company of China Ltd. is 99.5% controlled by Ping An Insurance (Group) Company of China, Ltd.. Therefore, Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 226,696,629 underlying Shares represented by the Convertible Notes directly held by Pingan Real Estate (HongKong) Company Ltd.. Ping An UOB Fund Management Company Limited holds a direct interest in the Convertible Notes which will be convertible into 34,876,404 Shares and is 60.63% held by Ping An Trust LLC, which is 99.88% held by Ping An Insurance (Group) Company of China, Ltd.. Therefore, Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 34,876,404 underlying Shares represented by the Convertible Notes directly held by Ping An UOB Fund Management Company Limited.

Save as disclosed above, as at 31 December 2014, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

**MAJOR CUSTOMERS AND SUPPLIERS**

During the reporting period, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the reporting period, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases in the year.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or suppliers.

## REPORT OF THE DIRECTORS

### CONNECTED TRANSACTIONS

During the year, there was no connected transaction of the Group that need to be disclosed pursuant to Chapter 14A of the Listing Rules.

### RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2014 are set out in Note 42 to the financial statements. These related party transactions either did not constitute connected transactions/ continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

### INTERESTS IN COMPETITNG BUSINESS

None of the Directors or chief executive of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

### EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

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

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2014.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

### DEED OF NON-COMPETITION

Each of Mr. Shu Cecheng and Mr. Shu Cewan, our executive Directors, and Boom Win (the "Controlling Shareholders"), entered into a deed of non-competition dated 18 May 2013 (the "Deed of Non-competition") in favor of the Company (for itself and on behalf of all members of the Group), pursuant to which each of the Controlling Shareholders would not, and would procure that none of his/its associates (other than any member of the Group) will directly or indirectly, engage in any business which competes or is likely to compete directly or indirectly with the Group's business in the PRC or other places in which the Group carries on business.

## REPORT OF THE DIRECTORS

In this regard, each of the Controlling Shareholders had provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-competition for the year ended 31 December 2014 and no personal interests were ever declared by any Controlling Shareholders who are also Directors at the Directors' meetings. The independent non-executive Directors had also reviewed the compliance by each of the Controlling Shareholders with the undertakings in the Deed of Non-competition during the year ended 31 December 2014. The independent non-executive Directors had confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the undertakings in the Deed of Non-competition given by them.

As of the date of this report, the Company is not aware of any other matters regarding the compliance of the undertaking and there has not been any change in terms of the Deed of Non-competition since the Company's listing on the Stock Exchange.

### 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 prorata basis to existing Shareholders.

### CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of its Directors, at the date of this Annual Report, the Company has maintained a sufficient public float throughout the year ended 31 December 2014.

### EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 46 to the consolidated financial statements.

### AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Ernst & Young as the auditor of the Company.

On behalf of the Board

**Shu Cecheng**

Chairman

Hong Kong, 30 March 2015



# CORPORATE GOVERNANCE REPORT

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all Shareholders. The Company has always recognized the importance of the Shareholders' transparency and accountability. It is the belief of the Board that Shareholders can maximize their benefits from good corporate governance.

## CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 of the Listing Rules. The Company has complied with the applicable code provisions of the CG Code during the year ended 31 December 2014.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions during the year ended 31 December 2014 and all Directors confirmed that they have complied with the Model Code.

## THE BOARD

### Responsibilities

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law, global economy and real estate and have contributed to the Board with their professional opinions.

Further, the Board is in charge of the task of maximizing the financial performance of the Company, formulating strategies and management policies of the Group, approving strategic objectives and is responsible for providing the Shareholders with a long-term return with stable and continuous growth.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The Board is also responsible for maintaining and reviewing the effectiveness of the internal control system of the Group. It has carried out reviews of the existing implemented system and procedures, including control measures of financial and operational compliance and risk management functions of the Group.

The Board recognizes that corporate governance should be the collective responsibility of Directors and is responsible for performing the corporate governance duties as required under code provision D.3.1 of the CG Code. For the year ended 31 December 2014, the Company has, among others, reviewed and updated the compliance manuals on notifiable transactions and price sensitive information (inside information) in accordance with the Listing Rules as guideline for its employees.

## CORPORATE GOVERNANCE REPORT

### Composition and Qualifications

The Board comprises five executive Directors, being Mr. Shu Cecheng (Chairman), Mr. Shu Cewan (Chief Executive Officer), Mr. Shu Ceyuan, Ms. Wu Xiaowu and Mr. Zhao Lidong, one non-executive Director, being Mr. Wang Wei and three independent non-executive Directors, being Dr. Song Ming, Mr. Lo Kwong Shun Wilson and Prof. Shu Guoying. Biographical details of each Directors are set out on pages 39 to 42.

The relationships among the members of the Board are disclosed under "Directors' Profile" on pages 39 to 42. Save as disclosed under "Directors' Profile", the Board members have no financial, business, family or other material/relevant relationships with each other. The formation of the Board has met the Rule 3.10A of the Listing Rules for the Board to have at least one-third in number of its members comprising independent non-executive Directors.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

### Appointment and Re-Election of Directors

All executive Directors have entered into service contracts with the Company for a specific term of three years while all independent non-executive Directors have entered into letters of appointment with the Company for a specific term of three years. The non-executive Director, Mr. Wang Wei, has been appointed for a term commencing from 26 September, 2014 until the next following annual general meeting of the Company at which he will be eligible for re-election. Thereafter, he will be subject to retirement by rotation and re-election at least once every three years at annual general meetings in accordance with the Articles of Association. One third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting provided that every Director shall be subject to retirement at least of once every three years in accordance with the Articles of Association.

### Directors' Training and Professional

All Directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable induction programme and on-going training and professional development programme for the Directors. Accordingly, the Company will arrange an induction programme for the newly appointed Director before his/her formal appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements being a newly appointed Director. The Company further arranges an on-going training and professional development seminar for Directors.

During the year of 2014, all Directors were provided with monthly newsletter on the Group's business, operations and financial matters as well as updates, if any, on applicable legal and regulatory and market changes to facilitate the discharge of their responsibilities. The Company had also organized a seminar on the "Update of Directors' Obligations under the Securities and Futures Ordinance and the Corporate Governance Code" for the Directors. The seminar was facilitated by Company's legal advisors with presentation and relevant materials. Continuing briefings and professional development for Directors will be arranged whenever necessary.

All Directors, Mr. Shu Cecheng, Mr. Shu Cewan, Mr. Shu Ceyuan, Ms. Wu Xiaowu, Mr. Zhao Lidong, Mr. Wang Wei, Dr. Song Ming, Mr. Lo Kwong Shun, Wilson and Prof. Shu Guoying, had provided the Company Secretary with their training records for the year of 2014.

### Indemnification of Directors and Officers

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

## CORPORATE GOVERNANCE REPORT

## BOARD MEETINGS

The Board meets on a regular basis and 4 meetings were held during the year. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
<b>Executive Directors:</b>	
Mr. Shu Cecheng	4/4
Mr. Shu Cewan	4/4
Mr. Shu Ceyuan	4/4
Ms. Wu Xiaowu	4/4
Mr. Zhao Lidong	4/4
<b>Non-executive Director:</b>	
Mr. Wang Wei (appointed on 26 September 2014)	0/0
<b>Independent non-executive Directors:</b>	
Dr. Song Ming	4/4
Mr. Lo Kwong Shun Wilson	4/4
Prof. Shu Guoying	4/4

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings while Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by Directors.

During the year ended 31 December 2014, the Company held one general meeting. The general meeting attended by the Directors was as follows:

	No. of meetings attended/ No. of meetings held
<b>Executive Directors</b>	
Mr. Shu Cecheng	1/1
Mr. Shu Cewan	1/1
Mr. Shu Ceyuan	0/1
Ms. Wu Xiaowu	1/1
Mr. Zhao Lidong	1/1
<b>Non-executive Director</b>	
Mr. Wang Wei (appointed on 26 September 2014)	0/0
<b>Independent non-executive Directors</b>	
Dr. Song Ming	0/1
Mr. Lo Kwong Shun Wilson	0/1
Prof. Shu Guoying	0/1

**CORPORATE GOVERNANCE REPORT****AUDIT COMMITTEE**

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee of the Company currently comprises three independent non-executive Directors, including Mr. Lo Kwong Shun Wilson, Dr. Song Ming and Prof. Shu Guoying, while Mr. Lo Kwong Shun Wilson is the chairman of the audit committee.

During the year ended 31 December 2014, the audit committee held two meetings. The individual attendance records is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Lo Kwong Shun Wilson	2/2
Dr. Song Ming	2/2
Prof. Shu Guoying	2/2

The main responsibilities of the audit committee is to review important accounting policies, supervise the Company's financial reporting processes, monitor the performance of the external auditor and the internal audit department, review and evaluate the effectiveness of the Company's financial reporting procedures and internal control and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

The audit committee together with the management of the Company has reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2014.

**REMUNERATION COMMITTEE**

The Company has established a remuneration committee in compliance with the Listing Rules. The remuneration committee currently comprises an executive Director, Mr. Shu Cewan, and two independent non-executive Directors, Dr. Song Ming and Prof. Shu Guoying, while Dr. Song Ming is the chairman of the committee.

During the year ended 31 December 2014, the remuneration committee held one meeting. The individual attendance records is as follows:

Directors	No. of meetings attended/ No. of meetings held
Dr. Song Ming	1/1
Mr. Shu Cewan	1/1
Prof. Shu Guoying	1/1

The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Company's Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive Directors and senior management member(s) with reference to the Company's objectives from time to time.

**CORPORATE GOVERNANCE REPORT**

During the year, the remuneration committee has discussed and reviewed the service agreement, appointment letter and remuneration policy for Directors and senior management of the Company, and has reviewed the remuneration packages of the Directors, and made recommendations to the Board on the service agreement, appointment letter and remuneration packages of individual executive Directors and senior management.

Details of the remuneration by band of the eight members of the senior management of the Company, whose biographies are set out on pages 43 to 44 of this annual report, for the year ended 31 December 2014 are set out below:

Remuneration band	Number of individuals
Nil to RMB1,000,000	6
RMB1,000,001 to RMB2,000,000	2

**NOMINATION COMMITTEE**

The Company has established a nomination committee in compliance with the Listing Rules. The nomination committee currently comprises an executive Director, Mr. Shu Cecheng and two independent non-executive Directors, Dr. Song Ming and Mr. Lo Kwong Shun, Wilson, while Mr. Shu Cecheng is the chairman of the committee.

The nomination committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

Under code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy by 1 September 2013. The Company adopted the board diversity policy with measurable objectives. The nomination committee evaluates the balance and blend of skills, experience and diversity of perspectives of the Board. Selection of candidates is 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, and merit and contribution that the selected candidates will bring to the Board. The Board will review such measurable objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

During the year ended 31 December 2014, no meeting was held by the nomination committee but members of the nomination committee have reviewed the composition of the Board which is determined by Directors' skills and experience appropriate to the Company's business.

**CORPORATE GOVERNANCE REPORT****AUDITORS' REMUNERATION**

During the year, the total remuneration in respect of statutory audit services paid to the Company's auditors, Messrs Ernst & Young ("E&Y") and PRC local auditors, amounted to approximately RMB5,500,000 and RMB581,000, respectively. Total service charges are as follows:

	RMB'000
Paid to E&Y for statutory audit services	5,400
Paid to E&Y as reporting accountants in respect of the issue of offering circular dated 16 January 2014	580
Paid to PRC auditors for statutory audit services	773
	6,753
Less: Transaction costs deducted from equity	(580)
Total	6,173

**INTERNAL CONTROL**

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness in order to safeguard the Group's assets and Shareholders' interests. The Board will conduct regular review regarding internal control systems of the Group. During the year ended 31 December 2014, the Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. Besides, the audit committee of the Company and the Board will also perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

**DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS**

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out in the "Independent Auditors' Report" on pages 62 to 63 of this annual report.

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS RIGHTS

#### **Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings**

Pursuant to the article 58 of the Articles of Association of the Company, any one or more 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, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### **Procedures by which enquiries may be put to the Board**

Shareholders are provided with contact details of the Company, such as website, telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board or the Company Secretary through the above means. If Shareholders have any enquiries in respect of their shareholdings and entitlements to dividend, they may contact Computershare Hong Kong Investor Services Limited, our share registrar from time to time.

#### **Constitutional Documents**

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2014.

### INVESTOR RELATIONS

#### **Effective Communication with Shareholders and Investors**

As a showpiece of the Company facing the capital market, the Board believes that a transparent and timely disclosure of the Group's latest information will enable the Shareholders and investors to have better understanding on the Group's operations and strategies. The Company recognises the importance of maintaining effective investor relations with the existing and potential investors. To enhance the communication between the Company and the investors, as well as to maintain the transparency of the Company, the team of Investor Relations engages in providing effective ways for Shareholders and investors to obtain latest company information. In addition to the issue of monthly and quarterly newsletters and interim and annual financial reports, the Company's website at "www.wz-china.com" also acts as a communication platform with Shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. The Company will also actively correspond to any enquiries raised by the Shareholders and investors through emails and phone calls. Meanwhile, the Company has also arranged company meetings, telephone conferences, investors meetings, luncheons and site visits, held a number of non-deal road shows and actively participated in a couple of global investors conferences and forums held by investment banks.

The Board also considers that general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the audit committee, remuneration committee and nomination committee of the Company normally attend the annual general meetings and other shareholders' meetings of the Company to reply questions raised.

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.wz-china.com](http://www.wz-china.com)) after the relevant general meetings.

# INDEPENDENT AUDITORS' REPORT



Ernst & Young  
22/F, CITIC Tower  
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## To the shareholders of Wuzhou International Holdings Limited (Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Wuzhou International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 64 to 163, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of 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 ("IFRSs") issued by the International Accounting Standards Board (the "IASB") 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.

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, 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 auditors' 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 auditors consider 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.



**INDEPENDENT AUDITORS' REPORT****OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and 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.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong  
30 March 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	4,308,085	4,049,567
Cost of sales		(2,809,316)	(2,280,484)
<b>Gross profit</b>		<b>1,498,769</b>	1,769,083
Other income and gains	5	98,668	30,962
Selling and distribution expenses		(506,551)	(351,927)
Administrative expenses		(434,780)	(435,375)
Other expenses		(29,308)	(22,552)
Fair value gain upon transfer to investment properties	15	334,625	689,092
Change in fair value of investment properties	15	7,669	201,565
Finance costs	7	(118,483)	(88,557)
Share of profits and losses of associates	22(b)	(7,640)	(3,106)
<b>PROFIT BEFORE TAX</b>	6	<b>842,969</b>	1,789,185
Income tax expense	10	(449,254)	(668,944)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>393,715</b>	1,120,241
Attributable to:			
Owners of the parent	11	252,863	1,020,036
Non-controlling interests		140,852	100,205
		<b>393,715</b>	1,120,241
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	13		
Basic (Cents)		5.43	24.91
Diluted (Cents)		4.61	24.91

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

		31 December 2014	31 December 2013
	Notes	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	270,867	256,002
Investment properties	15	6,936,600	4,949,200
Prepaid land lease payments	16	–	172,628
Intangible assets	19	3,939	4,363
Long-term deferred expense	20	2,351	3,102
Investment in associates	22	35,938	41,128
Available-for-sale investments	23	–	10,000
Deferred tax assets	24	322,825	207,737
Total non-current assets		7,572,520	5,644,160
<b>CURRENT ASSETS</b>			
Inventories		1,009	772
Properties under development	17	4,120,082	5,006,026
Completed properties held for sale	18	3,817,493	1,340,113
Trade and bills receivables	25	42,994	40,051
Due from related companies	42	2,881	–
Prepaid land lease payments	16	1,083,543	843,777
Prepayments, deposits and other receivables	26	815,030	1,085,549
Tax recoverable		114,646	47,794
Restricted cash	27	88,654	179,546
Pledged deposits	27	534,145	292,090
Cash and cash equivalents	27	1,179,260	941,254
Total current assets		11,799,737	9,776,972
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	28	4,105,273	2,707,940
Other payables, deposits received and accruals	29	947,274	709,437
Advances from customers	30	3,208,366	3,071,363
Derivative financial instruments	31	84,704	–
Convertible notes	33	487,774	–
Interest-bearing bank and other borrowings	32	1,299,160	1,081,708
Tax payable	10	897,907	723,170
Total current liabilities		11,030,458	8,293,618
<b>NET CURRENT ASSETS</b>		<b>769,279</b>	<b>1,483,354</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>8,341,799</b>	<b>7,127,514</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

31 December 2014

		<b>31 December 2014</b>	31 December 2013
	Notes	<b>RMB'000</b>	RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	32	<b>2,409,775</b>	2,105,670
Senior notes	35	<b>1,234,302</b>	606,050
Deferred tax liabilities	24	<b>486,439</b>	431,719
<b>Total non-current liabilities</b>		<b>4,130,516</b>	3,143,439
<b>Net assets</b>		<b>4,211,283</b>	3,984,075
<b>EQUITY</b>			
Issued capital	34	<b>293,026</b>	292,893
Reserves	37(a)	<b>3,374,406</b>	3,076,732
Proposed final dividend	12	–	128,119
<b>Equity attributable to owners of the parent</b>		<b>3,667,432</b>	3,497,744
<b>Non-controlling interests</b>		<b>543,851</b>	486,331
<b>Total equity</b>		<b>4,211,283</b>	3,984,075

**Shu Cecheng**  
Chairman

**Shu Cewan**  
Chief Executive Officer

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Share option reserve	Statutory surplus reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2013	216,659	-	51,074	-	143,304	908,656	-	1,319,693	325,422	1,645,115
Issuance of new shares	76,234	1,076,161	-	-	-	-	-	1,152,395	-	1,152,395
Contribution from non-controlling shareholders of subsidiaries	-	-	496	-	-	-	-	496	60,704	61,200
Total comprehensive income for the year	-	-	-	-	-	1,020,036	-	1,020,036	100,205	1,120,241
Appropriations to statutory surplus reserve	-	-	-	-	93,173	(93,173)	-	-	-	-
Equity-settled share option arrangements	-	-	-	5,124	-	-	-	5,124	-	5,124
Proposed final 2013 dividend	-	(128,119)	-	-	-	-	128,119	-	-	-
As at 31 December 2013	292,893	948,042	51,570	5,124	236,477	1,835,519	128,119	3,497,744	486,331	3,984,075
As at 1 January 2014	<b>292,893</b>	<b>948,042</b>	<b>51,570</b>	<b>5,124</b>	<b>236,477</b>	<b>1,835,519</b>	<b>128,119</b>	<b>3,497,744</b>	<b>486,331</b>	<b>3,984,075</b>
Exercise of share options	133	2,043	-	-	-	-	-	2,176	-	2,176
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	17,504	17,504
Total comprehensive income for the year	-	-	-	-	-	252,863	-	252,863	140,852	393,715
Acquisition of non-controlling interests	-	-	31,957	-	-	-	-	31,957	(54,657)	(22,700)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(46,179)	(46,179)
Appropriations to statutory surplus reserve	-	-	-	-	56,226	(56,226)	-	-	-	-
Equity-settled share option arrangements	-	-	-	10,811	-	-	-	10,811	-	10,811
Final 2013 dividend declared	-	-	-	-	-	-	(128,119)	(128,119)	-	(128,119)
As at 31 December 2014	<b>293,026</b>	<b>950,085</b>	<b>83,527</b>	<b>15,935</b>	<b>292,703</b>	<b>2,032,156</b>	<b>-</b>	<b>3,667,432</b>	<b>543,851</b>	<b>4,211,283</b>

\* These reserve accounts comprise the consolidated reserves of RMB3,374,406,000 (2013: RMB3,076,732,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>842,969</b>	1,789,185
Adjustments for:			
Finance costs	7	<b>118,483</b>	88,557
Share of profits and losses of associates	22(b)	<b>7,640</b>	3,106
Interest income	5	<b>(16,971)</b>	(11,079)
Depreciation	6, 14	<b>26,595</b>	24,425
Amortisation of intangible assets	6, 19	<b>955</b>	886
Amortisation of long-term deferred expenses	6, 20	<b>1,237</b>	1,074
Gain on disposal of items of property, plant and equipment		<b>(310)</b>	(781)
Gain on disposal of a subsidiary	5	<b>(11,734)</b>	(1,226)
Fair value gain upon transfer to investment properties	15	<b>(334,625)</b>	(689,092)
Change in fair value of investment properties	15	<b>(7,669)</b>	(201,565)
Change in fair value of derivative financial instruments	33	<b>(53,023)</b>	–
Equity-settled share-based payment expenses	36, 37	<b>10,811</b>	5,124
		<b>584,358</b>	1,008,614
(Increase)/decrease in inventories		<b>(237)</b>	479
Increase in properties for development and for sale		<b>(2,525,168)</b>	(2,342,598)
Disposal of investment properties	15	<b>29,657</b>	7,673
Additions of long-term deferred expense	20	<b>(486)</b>	(1,157)
Increase in trade and bills receivables		<b>(2,943)</b>	(21,945)
Decrease/(increase) in prepayments, deposits and other receivables		<b>23,748</b>	(392,216)
Increase in prepaid land lease payments	16	<b>(67,138)</b>	(335,181)
Increase in trade and bills payables		<b>1,310,621</b>	688,541
Decrease/(increase) in restricted cash		<b>90,892</b>	(152,575)
Increase in pledged deposits		<b>(252,452)</b>	(233,490)
Increase in other payables, deposits received and accruals		<b>481,910</b>	22,703
Increase in advances from customers		<b>137,003</b>	334,970
Cash used in operations		<b>(190,235)</b>	(1,416,182)
Interest received	5	<b>16,971</b>	11,079
Interest paid		<b>(535,963)</b>	(305,379)
Tax paid		<b>(402,908)</b>	(275,228)
Net cash flows used in operating activities		<b>(1,112,135)</b>	(1,985,710)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	14	<b>(42,382)</b>	(24,749)
Purchases of intangible assets	19	<b>(546)</b>	(762)
Proceeds from disposal of items of property, plant and equipment		<b>1,123</b>	1,834
Increase in investment properties		<b>(218,310)</b>	(319,848)
Disposal of a subsidiary	38	<b>19,866</b>	1,775
Decrease in an available-for-sale investment		<b>10,000</b>	–
Investment in an associate	22	<b>(2,450)</b>	(2,450)
Advances to shareholders		–	(12,269)
Recovery of advances to shareholders		–	12,269
Advances to related companies		<b>(2,881)</b>	(139,940)
Recovery of advances to related companies		–	485,289
Net cash flows from/(used in) investing activities		<b>(235,580)</b>	1,149

**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	34	–	1,199,087
Exercise of share options	34	2,176	–
Share issue expenses	34	–	(46,692)
Net proceeds from the issuance of senior notes	35	613,214	586,690
Net proceeds from the issuance of convertible notes	33	606,476	–
Foreign exchange gain		11,395	(3,184)
Capital contribution from non-controlling interests		17,504	61,200
Dividends paid		(128,119)	–
Dividends paid to non-controlling shareholders		(46,179)	–
Acquisition of non-controlling interests		(22,700)	–
Advances from shareholders		–	17,731
Repayment of advances from shareholders		–	(35,867)
Advances from related companies		280,000	820,997
Repayment of advances from related companies		(280,000)	(1,285,616)
Decrease in pledged deposits		10,397	68,200
Proceeds from interest-bearing bank loans and other borrowings		3,935,800	3,433,324
Repayment of interest-bearing bank loans and other borrowings		(3,414,243)	(2,645,506)
Net cash flow used in financing activities		1,585,721	2,170,364
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		941,254	755,451
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,179,260	941,254
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	27	1,802,059	1,412,890
Less: Restricted cash	27	88,654	179,546
Pledged deposits	27	534,145	292,090
Cash and cash equivalents as stated in the statement of cash flows		1,179,260	941,254

# STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		80	–
Due from subsidiaries	21	2,862,628	1,928,583
<b>Total current assets</b>		<b>2,862,708</b>	1,928,583
<b>CURRENT LIABILITIES</b>			
Due to subsidiaries	21	6,584	6,584
Other payables and accruals	29	216	52
Derivative financial instruments	31	84,704	–
Convertible notes	33	487,774	–
<b>Total current liabilities</b>		<b>579,278</b>	6,636
<b>NET CURRENT ASSETS</b>		<b>2,283,430</b>	1,921,947
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,283,430</b>	1,921,947
<b>NON-CURRENT LIABILITIES</b>			
Senior notes	35	1,234,302	606,050
<b>Total non-current liabilities</b>		<b>1,234,302</b>	606,050
<b>Net assets</b>		<b>1,049,128</b>	1,315,897
<b>EQUITY</b>			
Share capital	34	293,026	292,893
Reserves	37(b)	756,102	894,885
Proposed final dividend	12	–	128,119
<b>Total equity</b>		<b>1,049,128</b>	1,315,897

**Shu Cecheng**  
Chairman

**Shu Cewan**  
Chief Executive Officer



# NOTES TO FINANCIAL STATEMENTS

31 December 2014

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2010 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 June 2013.

The head office and principal place of business of the Company in Hong Kong is located at Unit 5105, 51/F, The Center, 99 Queen's Road Central, Hong Kong.

During the year, the Group was principally involved in property development, property investment and the provision of property management services.

In the opinion of the Directors, the ultimate holding company of the Company is Boom Win Holding Limited, which was incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Shu Cecheng and Mr. Shu Cewan ("The Shu Brothers" or "Controlling Shareholders").

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs which include all standards and interpretations approved by the IASB, and International Accounting Standards (the "IASs") and Standing Interpretations Committee interpretations approved by the IASB that remain in effect, accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**2.1 BASIS OF PREPARATION** (continued)**Basis of consolidation** (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the following revised standards and a new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	<i>Investment Entities</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC-Int 21	<i>Levies</i>
Amendment to IFRS 2 included in Annual Improvements 2010-2012 Cycle	<i>Definition of Vesting Condition<sup>1</sup></i>
Amendment to IFRS 3 included in Annual Improvements 2010-2012 Cycle	<i>Accounting for Contingent Consideration in a Business Combination<sup>1</sup></i>

<sup>1</sup> Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

**NOTES TO FINANCIAL STATEMENTS**

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**2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED**

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	<i>Financial Instruments</i> <sup>4</sup>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>2</sup>
IFRS 14	<i>Regulatory Deferral Accounts</i> <sup>5</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
Amendments to IAS 1	<i>Disclosure initiative</i> <sup>2</sup>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>2</sup>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> <sup>2</sup>
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>
Amendments to IAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> <sup>2</sup>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of IFRSs <sup>1</sup>
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of IFRSs <sup>1</sup>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of IFRSs <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>5</sup> Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

*The Annual Improvements to IFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

**IFRS 8 *Operating Segments*:** Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

#### Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Business combinations and goodwill** (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

#### **Fair value measurement**

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/ a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of comprehensive income in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.



**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Property, plant and equipment and depreciation** (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful life and the annual depreciation rate are as follows:

	Estimated useful life	Annual depreciation rate
Buildings	40 years	2.38%
Plant and machinery	3 –10 years	9.50% to 31.67%
Motor vehicles	3–5 years	19.00% to 31.67%
Office equipment	3–5 years	19.00% to 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**Investment properties**

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of comprehensive income.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

#### Completed properties held for sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

#### Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land cost.

#### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments and other financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in finance costs for loans and in other expenses for receivables.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Investments and other financial assets** (continued)**Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in other expenses.

**Available-for-sale financial investments**

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of comprehensive income in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Impairment of financial assets** (continued)

##### **Financial assets carried at amortised cost** (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of comprehensive income.

##### **Assets carried at cost**

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

##### **Available-for-sale financial investments**

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is removed from other comprehensive income and recognised in the statement of comprehensive income.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Impairment of financial assets** (continued)

##### **Available-for-sale financial investments** (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of comprehensive income if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income.

#### **Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

##### **Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as follows:

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The net fair value gain or loss recognised in the statement of comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.



## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial liabilities (continued)

##### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

##### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

##### Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

##### Convertible notes

If the conversion option of convertible notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of comprehensive income.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

#### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Government grants** (continued)

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of comprehensive income by way of a reduced depreciation charge.

**Revenue recognition**

Revenue from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

- (a) the significant risks and rewards of ownership of the properties are transferred to purchasers;
- (b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties are retained;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

For the Group, revenue from sale of completed properties is recognised upon the signing of property handover letter, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer.

Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statements of financial position under current liabilities.

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Commissions from concessionaire sales are recognised upon the sale of goods by the relevant stores.

Service income from commercial management services and other activities are recognised when the services are rendered and the inflow of economic benefit is probable.

Dividend income is recognised when the shareholder's right to receive payment has been established.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Share-based payments

The Company operates a pre-IPO share awards scheme and a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by Savills Valuation and Professional Services Limited, independent professionally qualified valuers using a binomial model, further detail of which are given in note 36 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

#### Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain proportion of its payroll costs to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### Foreign currencies

Since the majority of the assets and operations of the Group are located in the People's Republic of China (the "PRC"), the financial statements are presented in RMB, which are the functional currency of the Company and the presentation currency of the Group. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## NOTES TO FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

#### Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### Transfer to or from investment property

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- (a) commencement of owner-occupation, for a transfer from investment property to owner occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

#### Estimation uncertainty

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, are described below.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Estimation uncertainty (continued)****Provision of properties under development and completed properties held for sale**

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

**PRC corporate income tax**

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

**PRC land appreciation tax ("LAT")**

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalized its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

**Estimate of fair value of investment properties**

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.



**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** (continued)**Estimation uncertainty** (continued)**Estimate of fair value of investment properties** (continued)

The carrying amount of investment properties at 31 December 2014 was RMB6,936,600,000 (2013: RMB4,949,200,000). Further detail, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

**Impairment of non-financial assets (other than goodwill)**

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**Estimated useful lives of property, plant and equipment**

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

**Deferred tax assets**

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the property development segment engages in the development and sale of properties;
- (b) the property management and investment segment engages in providing commercial management services, property management services, property consulting services and investing in properties for their rental income potential and/or for capital appreciation; and
- (c) the others segment engages in lending to customers and department store operation and providing consulting services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance costs, dividend income and share of income or losses of associates are excluded from this measurement.

Segment assets exclude available-for-sale investment and investments in associates are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**4. OPERATING SEGMENT INFORMATION** (continued)

No information about major customers is presented as no single customer individually contributed to over 10% of the Group's revenue for the years ended 31 December 2014 and 2013.

Year ended 31 December 2014	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
<b>Segment revenue</b>					
Sales to external customers	4,074,977	163,146	135,580	(65,618)	4,308,085
<b>Segment results</b>	487,158	313,415	102,901	65,618	969,092
<i>Reconciliation:</i>					
Finance costs					(118,483)
Share of profits and losses of associates					(7,640)
Profit before tax					842,969
<b>Segment assets</b>	11,757,422	7,168,706	410,191	–	19,336,319
<i>Reconciliation:</i>					
Available-for-sale investment					–
Investments in associates					35,938
Total assets					19,372,257
<b>Segment liabilities</b>	14,287,390	675,082	198,502	–	15,160,974
Total liabilities					15,160,974
<b>Other segment information</b>					
Depreciation and amortisation	20,267	2,901	5,619	–	28,787
Fair value gain upon transfer to investment properties	–	334,625	–	–	334,625
Change in fair value of investment properties	–	7,669	–	–	7,669

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
<b>Segment revenue</b>					
Sales to external customers	3,880,430	145,019	117,313	(93,195)	4,049,567
<b>Segment results</b>					
	904,249	869,876	13,528	93,195	1,880,848
<i>Reconciliation:</i>					
Finance costs					(88,557)
Share of profits and losses of associates					(3,106)
Profit before tax					1,789,185
<b>Segment assets</b>					
	9,705,803	5,459,242	204,959	–	15,370,004
<i>Reconciliation:</i>					
Available-for-sale investment					10,000
Investments in associates					41,128
Total assets					15,421,132
<b>Segment liabilities</b>					
	10,207,410	1,226,571	3,076	–	11,437,057
Total liabilities					11,437,057
<b>Other segment information</b>					
Depreciation and amortisation	17,660	2,271	6,454	–	26,385
Fair value gain upon transfer to investment properties	–	689,092	–	–	689,092
Change in fair value of investment properties	–	201,565	–	–	201,565

**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**5. REVENUE, OTHER INCOME AND GAINS**

Revenue, which is also the Group's turnover, represents income from the sale of properties, rental income, commercial management service income, property management service income, property consulting service income and commissions from concessionaire sales during the year, after deduction of allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2014 RMB'000	2013 RMB'000
<b>Revenue</b>		
Sale of properties	<b>4,074,977</b>	3,880,430
Rental income	<b>53,948</b>	44,163
Commercial management service income	<b>92,148</b>	91,684
Property consulting service income	<b>47,404</b>	–
Property management service income	<b>11,579</b>	9,172
Commissions from concessionaire sale	<b>8,528</b>	9,935
Others	<b>19,501</b>	14,183
	<b>4,308,085</b>	4,049,567
<b>Other income</b>		
Subsidy income	<b>13,126</b>	13,886
Interest income	<b>16,971</b>	11,079
Gain on disposal of a subsidiary	<b>11,734</b>	1,226
Gain on disposal of items of property, plant and equipment	<b>365</b>	781
Others	<b>3,449</b>	3,990
	<b>45,645</b>	30,962
<b>Gains</b>		
Fair value gains, net:		
Derivative instruments at fair value through profit or loss	<b>53,023</b>	–
	<b>98,668</b>	30,962

**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**6. PROFIT BEFORE TAX**

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	2014 RMB'000	2013 RMB'000
Cost of properties sold	2,673,187	2,208,098
Cost of property management service provided	10,037	7,780
Cost of property consulting service provided	25,832	–
Impairment loss recognised	13,917	–
Depreciation	26,595	24,425
Amortisation of intangible assets	955	886
Amortisation of long-term deferred expenses	1,237	1,074
Auditors' remuneration	6,173	10,356
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	197,060	164,919
Equity-settled share-based payment expenses	10,811	5,124
Pension and social welfare	48,643	36,684
	<b>256,514</b>	206,727
Foreign exchange differences, net	15,009	8,737
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties and commercial management service provided	70,874	52,148

Note:

- \* At 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2013: nil).

**7. FINANCE COSTS**

An analysis of finance costs from continuing operations is as follows:

	2014 RMB'000	2013 RMB'000
Interest on bank and other borrowings	372,049	316,873
Interest on senior notes	170,977	22,544
Interest on convertible notes	20,758	–
Less: Interest capitalised	(445,301)	(250,860)
	<b>118,483</b>	88,557

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**8. DIRECTORS' REMUNERATION**

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Fees	567	262
Other emoluments:		
Salaries, allowances and benefits in kind	5,401	3,818
Performance-related bonuses*	772	1,310
Equity-settled share-based payment expenses	2,431	1,648
Pension scheme contributions	179	161
	<b>8,783</b>	6,937
	<b>9,350</b>	7,199

\* Certain executive directors of the Company are entitled to bonus payments which are associated with the profit after tax of the Group.

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 36 to the financial statements. The fair value of these options, which has been recognised in the statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

**(a) Independent non-executive directors**

The fees paid to independent non-executive directors during the year were as follows:

	2014 RMB'000	2013 RMB'000
Dr. Song Ming	251	122
Mr. Lo Kwong Shun Wilson	158	70
Prof. Shu Guoying	158	70
	<b>567</b>	262

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**8. DIRECTORS' REMUNERATION** (continued)**(b) Executive directors and the chief executive**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance- related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension and social welfare RMB'000	Total remuneration RMB'000
<b>2014</b>						
Executive directors:						
Mr. Shu Cecheng	–	60	–	–	18	78
Mr. Shu Ceyuan	–	1,200	260	666	31	2,157
Ms. Wuxiaowu	–	774	132	666	31	1,603
Mr. Zhao Lidong	–	2,944	380	521	85	3,930
	–	4,978	772	1,853	165	7,768
Chief executive and executive director:						
Mr. Shu Cewan	–	48	–	386	14	448
	–	5,026	772	2,239	179	8,216
<b>2013</b>						
Executive directors:						
Mr. Shu Cecheng	–	424	–	–	18	442
Mr. Shu Ceyuan	–	1,050	380	582	31	2,043
Ms. Wuxiaowu	–	542	170	582	31	1,325
Mr. Zhao Lidong	–	1,365	760	325	67	2,517
	–	3,381	1,310	1,489	147	6,327
Chief executive and executive director:						
Mr. Shu Cewan	–	229	–	105	14	348
	–	3,610	1,310	1,594	161	6,675

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



## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included two directors (2013: three), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2013: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	3,774	2,952
Performance-related bonuses	339	–
Equity-settled share-based payment expenses	605	71
Pension and social welfare	115	46
	<b>4,833</b>	<b>3,069</b>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014 RMB'000	2013 RMB'000
Nil to RMB1,000,000	–	–
RMB1,000,001 to RMB2,000,000	2	2
RMB2,000,001 to RMB3,000,000	1	–
	<b>3</b>	<b>2</b>

During the year and in prior years, share options were granted to three non-director and non-chief executive highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 36 to the financial statements. The fair value of these options, which has been recognised in the statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

**10. INCOME TAX**

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income currently arising in Hong Kong for the year ended 31 December 2014.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax rate of 25%.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**10. INCOME TAX** (continued)

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interest on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

In addition, Wuxi Wuzhou Ornament City, Wuxi Zhongnan, Wuxi Longan and Dali Wuzhou were subject to LAT which is calculated based on 3% to 8.34% of their revenue in accordance with "Wuxi Tax Circular No. (2009) 46" and "No. 1 (2010) Announcement of Dali tax bureau".

The Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	2014 RMB'000	2013 RMB'000
Current tax:		
PRC corporate income tax	239,365	286,580
PRC LAT	271,428	277,881
Deferred tax	(61,539)	104,483
<b>Total tax charge for the year</b>	<b>449,254</b>	668,944

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2014 RMB'000	2013 RMB'000
Profit before tax	842,969	1,789,185
Tax at the statutory tax rate	210,742	447,296
Expenses not deductible for tax	21,643	30,090
Tax loss not recognised	13,541	6,488
Profits and losses attributable to associates	1,910	776
Effect of withholding tax on the distributable profits of the Group's		
PRC subsidiaries	(2,153)	(24,117)
Provision for LAT	271,428	277,881
Tax effect on LAT	(67,857)	(69,470)
<b>Tax charge at the Group's effective rate</b>	<b>449,254</b>	668,944

**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**10. INCOME TAX** (continued)

Tax payable in the consolidated statement of financial position represents:

	<b>31 December 2014 RMB'000</b>	31 December 2013 RMB'000
PRC corporate income tax payable	<b>502,078</b>	441,004
PRC LAT payable	<b>395,829</b>	282,166
<b>Total tax payable</b>	<b>897,907</b>	723,170

**11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT**

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB151,637,000 (2013:RMB58,281,000) which has been dealt with in the financial statements of the Company (note 37(b)).

**12. DIVIDENDS**

	<b>31 December 2014 RMB'000</b>	31 December 2013 RMB'000
Proposed final – Nil (2013: HK3.5 cents) per ordinary share	–	128,119

The proposed final dividend is subject to the approval of the Company's shareholders at the annual general meeting.

**13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,656,229,607 (2013: 4,094,975,722) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible notes, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** (continued)

The calculations of basic and diluted earnings per share are based on:

	2014 RMB'000	2013 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation		
From continuing operations	<b>252,863</b>	1,020,036
Interest on convertible notes	<b>20,758</b>	–
Less: Fair value gain on the derivative component of the convertible notes	<b>(53,023)</b>	–
Profit attributable to ordinary equity holders of the parent before interest on convertible notes	<b>220,598</b>	1,020,036
Attributable to:		
Continuing operations	<b>220,598</b>	1,020,036
<b>Number of shares</b>		
	2014	2013
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>4,656,229,607</b>	4,094,975,722
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>7,576,074</b>	–
Convertible notes	<b>118,429,714</b>	–
	<b>4,782,235,395</b>	4,094,975,722

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

## 14. PROPERTY, PLANT AND EQUIPMENT

## Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2014</b>						
At 31 December 2013 and 1 January 2014:						
Cost	219,352	618	68,759	34,109	-	322,838
Accumulated depreciation	(13,799)	(100)	(37,318)	(15,619)	-	(66,836)
Net carrying amount	205,553	518	31,441	18,490	-	256,002
At 1 January 2014, net of accumulated depreciation						
	205,553	518	31,441	18,490	-	256,002
Additions	30,250	49	4,874	7,209	-	42,382
Disposals	-	(1)	(702)	(110)	-	(813)
Disposals of a subsidiary (note 38)	-	-	(109)	-	-	(109)
Depreciation provided during the year	(5,820)	(83)	(12,745)	(7,947)	-	(26,595)
At 31 December 2014, net of accumulated depreciation	229,983	483	22,759	17,642	-	270,867
At 31 December 2014:						
Cost	249,602	666	70,117	40,707	-	361,092
Accumulated depreciation	(19,619)	(183)	(47,358)	(23,065)	-	(90,225)
Net carrying amount	229,983	483	22,759	17,642	-	270,867

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

## Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2013</b>						
At 31 December 2012 and 1 January 2013:						
Cost	151,806	256	65,736	22,698	61,570	302,066
Accumulated depreciation	(9,375)	(49)	(25,697)	(9,847)	–	(44,968)
Net carrying amount	142,431	207	40,039	12,851	61,570	257,098
At 1 January 2013, net of accumulated depreciation						
Additions	5,976	362	6,202	12,209	–	24,749
Transfers	61,570	–	–	–	(61,570)	–
Disposals	–	–	(940)	(480)	–	(1,420)
Depreciation provided during the year	(4,424)	(51)	(13,860)	(6,090)	–	(24,425)
At 31 December 2013, net of accumulated depreciation	205,553	518	31,441	18,490	–	256,002
At 31 December 2013:						
Cost	219,352	618	68,759	34,109	–	322,838
Accumulated depreciation	(13,799)	(100)	(37,318)	(15,619)	–	(66,836)
Net carrying amount	205,553	518	31,441	18,490	–	256,002

At 31 December 2014, certain of the Group's buildings with a net carrying amount of approximately RMB122,990,000 (2013: RMB126,056,000) were pledged to secure general banking facilities granted to the Group (note 32).

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

## 15. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
At 1 January 2013	1,504,600	1,067,500	2,572,100
Additions	–	406,560	406,560
Transferred from investment properties under construction	439,136	(439,136)	–
Transferred from properties held for sale (note 18)	616,117	–	616,117
Transferred from properties under development (note 17)	–	471,439	471,439
Transferred to cost of properties sold (note 6)	(7,673)	–	(7,673)
Fair value gain upon transfer to investment properties	121,825	567,267	689,092
Change in fair value of investment properties	54,695	146,870	201,565
At 31 December 2013 and 1 January 2014	<b>2,728,700</b>	<b>2,220,500</b>	<b>4,949,200</b>
Additions	–	<b>305,022</b>	<b>305,022</b>
Transferred from investment properties under construction	<b>2,274,338</b>	<b>(2,274,338)</b>	–
Transferred from properties held for sale (note 18)	<b>425,967</b>	–	<b>425,967</b>
Transferred from properties under development (note 17)	<b>133,088</b>	<b>810,686</b>	<b>943,774</b>
Transferred to cost of properties sold (note 6)	<b>(29,657)</b>	–	<b>(29,657)</b>
Fair value gain upon transfer to investment properties	<b>285,130</b>	<b>49,495</b>	<b>334,625</b>
Change in fair value of investment properties	<b>(45,066)</b>	<b>52,735</b>	<b>7,669</b>
Carrying amount at 31 December 2014	<b>5,772,500</b>	<b>1,164,100</b>	<b>6,936,600</b>

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued on 31 December 2014 and 2013 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, on an open market value, based on capitalisation of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties. The investment properties are leased to third parties under operating leases, further details of which are included in note 40 to the financial statements.

As at 31 December 2014, the Group's investment properties with a carrying value of RMB3,417,724,000 (2013: RMB2,074,269,000) were pledged to secure general banking facilities granted to the Group (note 32).

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**15. INVESTMENT PROPERTIES** (continued)**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Recurring fair value measurement for:	Fair value measurement as at 31 December 2014 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Completed commercial properties	–	–	5,772,500	5,772,500
Commercial properties under development	–	–	1,164,100	1,164,100
	–	–	6,936,600	6,936,600

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2013: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000	Commercial property under construction RMB'000
Carrying amount at 1 January 2013	1,504,600	1,067,500
Additions	–	406,560
Transferred from investment properties under construction	439,136	(439,136)
Transferred from properties held for sale (note 18)	616,117	–
Transferred from properties under development (note 17)	–	471,439
Transferred to cost of properties sold (note 6)	(7,673)	–
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	176,520	714,137
Carrying amount at 31 December 2013 and 1 January 2014	2,728,700	2,220,500
Additions	–	305,022
Transferred from investment properties under construction	2,274,338	(2,274,338)
Transferred from properties held for sale (note 18)	425,967	–
Transferred from properties under development (note 17)	133,088	810,686
Transferred to cost of properties sold (note 6)	(29,657)	–
Net gain from a fair value adjustment recognised in other expenses in profit or loss	240,064	102,230
Carrying amount at 31 December 2014	5,772,500	1,164,100



## NOTES TO FINANCIAL STATEMENTS

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**15. INVESTMENT PROPERTIES** (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Valuation techniques		Significant unobservable inputs	Range or weighted average	
			2014	2013
Commercial properties	Income capitalisation method	Estimated rental value (per sq.m. and per month)	<b>14 to 261</b>	7 to 280
		Discount rate	<b>4.30%</b>	3.93%
Commercial properties under construction	Income capitalisation method	Estimated rental value (per sq.m. and per month)	<b>22 to 54</b>	5 to 320
		Discount rate	<b>4.19%</b>	3.94%

The fair values of investment properties is determined using the income capitalisation method by capitalising the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate, and negatively correlated to capitalisation rate.

A significant increase/(decrease) in the estimated rental value per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

**16. PREPAID LAND LEASE PAYMENTS**

	Group	
	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	<b>1,016,405</b>	681,224
Additions during the year	<b>391,147</b>	555,653
Transferred to properties under development during the year	<b>(324,009)</b>	(220,472)
Carrying amount at 31 December	<b>1,083,543</b>	1,016,405
Less: Current portion	<b>1,083,543</b>	843,777
Non-current portion	–	172,628

The prepaid land lease payments for land use rights are held under medium term leases and the parcels of land are situated in Mainland China.

At 31 December 2014, the Group's prepaid land lease payments with aggregate carrying amounts of approximately RMB160,881,000 (2013: RMB470,351,000) were pledged to secure general banking facilities granted to the Group (note 32).

## NOTES TO FINANCIAL STATEMENTS

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## 17. PROPERTIES UNDER DEVELOPMENT

	Group	
	2014 RMB'000	2013 RMB'000
Carrying amount at 1 January	5,006,026	4,307,812
Additions during the year	5,627,916	4,793,883
Disposal of a subsidiary (note 38)	(9,292)	–
Transferred to completed properties held for sale (note 18)	(5,560,794)	(3,624,230)
Transferred to investment properties (note 15)	(943,774)	(471,439)
Carrying amount at 31 December	4,120,082	5,006,026

The carrying values of properties under development situated on leasehold land in Mainland China are as follows:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Medium term leases	4,120,082	5,006,026

Further particulars of the Group's investment properties are included in note 15.

At 31 December 2014, the Group's properties under development with aggregate carrying amounts of approximately RMB1,094,108,000 (2013: RMB2,052,450,000) were pledged to secure general banking facilities granted to the Group (note 32).

## 18. COMPLETED PROPERTIES HELD FOR SALE

	Group	
	2014 RMB'000	2013 RMB'000
Carrying amount at 1 January	1,340,113	532,425
Transferred from properties under development (note 17)	5,560,794	3,624,230
Transferred to investment properties (note 15)	(425,967)	(616,117)
Transferred to cost of properties sold (note 6)	(2,643,530)	(2,200,425)
Impairment loss recognised	(13,917)	–
Carrying amount at 31 December	3,817,493	1,340,113

At 31 December 2014, the Group's properties under development with aggregate carrying amounts of approximately RMB1,666,438,000 (2013: RMB275,511,000) were pledged to secure general banking facilities granted to the Group (note 32).

## NOTES TO FINANCIAL STATEMENTS

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**18. COMPLETED PROPERTIES HELD FOR SALE** (continued)

The movements in provision for impairment of completed properties held for sale are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
At 1 January	–	–
Impairment losses recognised (note 6)	<b>13,917</b>	–
Carrying amount at 31 December	<b>13,917</b>	–

**19. INTANGIBLE ASSETS**

	Group	
	2014 RMB'000	2013 RMB'000
<b>Software</b>		
At 1 January		
Cost	<b>6,863</b>	6,101
Accumulated amortisation	<b>(2,500)</b>	(1,614)
Net carrying amount	<b>4,363</b>	4,487
Cost at 1 January, net of accumulated amortisation	<b>4,363</b>	4,487
Additions	<b>546</b>	762
Disposals of a subsidiary (note 38)	<b>(15)</b>	–
Amortisation provided during the year	<b>(955)</b>	(886)
At 31 December, net of accumulated amortisation	<b>3,939</b>	4,363
At 31 December		
Cost	<b>7,394</b>	6,863
Accumulated amortisation	<b>(3,455)</b>	(2,500)
Net carrying amount	<b>3,939</b>	4,363

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**20. LONG-TERM DEFERRED EXPENSES**

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Carrying amount at 1 January	<b>3,102</b>	3,019
Additions	<b>486</b>	1,157
Amortisation provided during the year	<b>(1,237)</b>	(1,074)
Carrying amount at 31 December	<b>2,351</b>	3,102

**21. INVESTMENTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Due from subsidiaries	<b>2,862,628</b>	1,928,583
Due to subsidiaries	<b>(6,584)</b>	(6,584)
Carrying amount at 31 December	<b>2,856,044</b>	1,921,999

The amounts due from/(to) subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/(to) subsidiaries approximate to their fair values.

## NOTES TO FINANCIAL STATEMENTS

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**21. INVESTMENTS IN SUBSIDIARIES** (continued)

Particulars of the principal subsidiaries are as follows:

Subsidiaries	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Directly held:</b>				
Wuzhou International Investment Limited 五洲國際投資有限公司 ("Wuzhou International Investment")	British Virgin Islands/ 27 April 2010	US\$50,000	100%	Investment holding
Taishun International Company Limited 泰順國際有限公司 ("Taishun International")	British Virgin Islands/ 19 June 2013	US\$50,000	100%	Investment holding
Zhouji International Company Limited 洲際國際有限公司 ("Zhouji International")	British Virgin Islands/ 19 June 2013	US\$50,000	100%	Investment holding
Long An (Wuzhou) International Company Limited 龍安(五洲)國際有限公司 ("Longan Wuzhou International")	British Virgin Islands/ 19 June 2013	US\$50,000	100%	Investment holding
Wuzhou Overseas Company Limited 五洲海外股份有限公司 ("Wuzhou Overseas")	British Virgin Islands/ 8 December 2014	US\$50,000	100%	Investment holding
Wuzhou International Overseas Commercial Development Limited 五洲國際海外商業發展有限公司 ("Wuzhou International Overseas Commercial")	British Virgin Islands/ 8 December 2014	US\$50,000	100%	Investment holding
Wuzhou International Overseas Company Limited 五洲國際海外股份有限公司 ("Wuzhou International Overseas")	British Virgin Islands/ 8 December 2014	US\$50,000	100%	Investment holding
Wuzhou International Overseas Enterprise Limited 五洲國際海外實業有限公司 ("Wuzhou International Overseas Enterprise")	British Virgin Islands/ 8 December 2014	US\$50,000	100%	Investment holding

## NOTES TO FINANCIAL STATEMENTS

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Directly held:</b> (continued)				
Wuzhou Company Limited 五洲股份有限公司 ("Wuzhou Company")	Hong Kong/ 3 September 2014	HK\$1	100%	Investment holding
Wuzhou International Commercial Development Limited 五洲國際商業發展有限公司 ("Wuzhou International Commercial")	Hong Kong/ 3 September 2014	HK\$1	100%	Investment holding
Wuzhou International Company Limited 五洲國際股份有限公司 ("Wuzhou International Company")	Hong Kong/ 3 September 2014	HK\$1	100%	Investment holding
Wuzhou International Enterprise Limited 五洲國際實業有限公司 ("Wuzhou International Enterprise")	Hong Kong/ 3 September 2014	HK\$1	100%	Investment holding
<b>Indirectly held:</b>				
Hong Kong Wuzhou International Group Limited 香港五洲國際集團有限公司 ("Hongkong Wuzhou")	Hong Kong/ 6 May 2010	HK\$10,000	100%	Investment holding
Hong Kong Longan Investment Company Limited 香港龍安投資有限公司 ("Hongkong Longan Investment")	Hong Kong/ 4 July 2013	HK\$10,000	100%	Investment holding
Hong Kong Zhouji Investment Company Limited 香港洲際投資有限公司 ("Hongkong Zhouji Investment")	Hong Kong/ 4 July 2013	HK\$10,000	100%	Investment holding

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held:</b> (continued)					
Hong Kong Taishun Investment Company Limited 香港泰順投資有限公司 ("Hongkong Taishun Investment")		Hong Kong/ 4 July 2013	HK\$10,000	100%	Investment holding
Hong Kong Wuzhou Lisheng International Group Limited 香港五洲立盛國際集團有限公司 ("Hongkong Wuzhou Lisheng International")		Hong Kong/ 2 August 2013	HK\$10,000	51%	Investment holding
無錫中南置業投資有限公司 ("Wuxi Zhongnan")	2	PRC/ 24 December 2004	RMB36,614,000	100%	Property development
無錫五洲國際裝飾城有限公司 ("Wuxi Wuzhou Ornament City")	1	PRC/ 1 February 2005	RMB100,000,000	100%	Property development and property investment
無錫五洲商業管理有限公司 ("Wuxi Business Management")	2	PRC/ 5 January 2006	RMB5,000,000	100%	Property management
無錫市崇安新城龍安置業有限公司 ("Wuxi Longan")	2	PRC/ 6 March 2007	RMB60,000,000	64.3%	Property development
無錫五洲國際商業運營有限公司 ("Wuzhou Business Operation")	2	PRC/ 18 July 2008	RMB50,000,000	100%	Property management
無錫市崇安新城龍安商業物業經營管理有限公司 ("Longan Management")	2	PRC/ 24 October 2008	RMB1,000,000	64.3%	Property management
無錫市龍祥投資有限公司 ("Wuxi Longxiang")	2	PRC/ 30 April 2009	RMB20,000,000	62%	Property development

## NOTES TO FINANCIAL STATEMENTS

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held:</b> (continued)					
無錫五洲國際商業地產策劃有限公司 ("International Marketing Development")	2	PRC/ 10 September 2009	RMB500,000	51%	Marketing and planning of property development
杭州龍安置業有限公司 ("Hangzhou Longan")	1	PRC/ 23 November 2009	US\$37,500,000	100%	Property development
鹽城五洲置業有限公司 ("Yancheng Wuzhou")	2	PRC/ 30 December 2009	RMB20,000,000	100%	Property development
南通五洲國際投資有限公司 ("Nantong Wuzhou")	2	PRC/ 21 January 2010	RMB80,000,000	51%	Property development
無錫五洲國際置業有限公司 ("Wuxi International Property")	2	PRC/ 31 March 2010	RMB50,000,000	90%	Property development
盱眙五洲國際置業有限公司 ("Xuyi Wuzhou")	2	PRC/ 19 April 2010	RMB50,000,000	100%	Property development
大理五洲國際商貿城有限公司 ("Dali Wuzhou")	2	PRC/ 27 August 2010	RMB20,000,000	100%	Property development
榮昌縣五洲五金裝飾城有限公司 ("Rongchang Wuzhou")	2	PRC/ 20 September 2010	RMB60,000,000	94%	Property development
無錫市龍騰商業投資發展有限公司 ("Wuxi Longteng")	2	PRC/ 22 December 2010	RMB50,000,000	100%	Property development
無錫五洲商業投資有限公司 ("Wuxi Property Investment")	2	PRC/ 3 March 2011	RMB20,000,000	100%	Property development
山東五洲國際家居博覽城有限公司 ("Leling Wuzhou")	2	PRC/ 28 March 2011	RMB20,000,000	51%	Property development
無錫五洲龍盛商業有限公司 ("Wuxi Longsheng")	2	PRC/ 19 April 2011	RMB20,000,000	100%	Property development



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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held:</b> (continued)					
煙台五洲國際商品博覽城有限公司 ("Yantai Wuzhou")	2	PRC/ 5 May 2011	RMB10,000,000	95%	Property development
大理五洲國際商業地產策劃有限公司 ("Dali Marketing Development")	2	PRC/ 22 July 2011	RMB100,000	51%	Marketing and planning of property development
無錫萬翔商業物業運營有限公司 ("Wanxiang Marketing Development")	2	PRC/ 25 August 2011	RMB500,000	100%	Property management
建湖五洲國際置業有限公司 ("Jianhu Wuzhou")	2	PRC/ 31 August 2011	RMB20,000,000	100%	Property development
襄陽五洲國際商貿城有限公司 ("Xiangyang Wuzhou")	2	PRC/ 13 September 2011	RMB100,000,000	100%	Property development
瀋陽五洲國際工業博覽城置業有限公司 ("Shenyang Wuzhou")	2	PRC/ 13 October 2011	RMB100,000,000	100%	Property development
龍口五洲國際商貿城有限公司 ("Longkou Wuzhou")	2	PRC/ 10 November 2011	RMB20,000,000	95%	Property development
無錫六龍城商業管理有限公司 ("Longsheng Marketing Development")	2	PRC/ 10 January 2012	RMB1,000,000	100%	Property management
建湖五洲國際商業運營有限公司 ("Jianhu Marketing Development")	2	PRC/ 13 January 2012	RMB1,000,000	100%	Property management
宜興五洲國際商業運營有限公司 ("Yixing Wuzhou")	2	PRC/ 17 January 2012	RMB20,000,000	100%	Property management
江陰五洲置業有限公司 ("Jiangyin Wuzhou")	2	PRC/ 17 January 2012	RMB60,000,000	90%	Property development

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held:</b> (continued)					
無錫市新龍騰經營管理有限公司 ("Longteng Marketing Development")	2	PRC/ 14 February 2012	RMB1,000,000	100%	Property management
無錫市龍乾物業管理有限公司 ("Longqian Marketing Development")	2	PRC/ 24 February 2012	RMB1,000,000	100%	Property management
無錫五洲國際企業管理有限公司 ("Wuxi Corporation Management")	2	PRC/ 21 March 2012	RMB4,800,000	51%	Property management
鹽城五洲商業運營管理有限公司 ("Yancheng Marketing Development")	2	PRC/ 29 May 2012	RMB1,000,000	100%	Property management
盱眙五洲國際商業物業服務有限公司 ("Xuyi Marketing Development")	2	PRC/ 1 June 2012	RMB1,000,000	100%	Property management
無錫梅村五洲國際商業物業 管理有限公司 ("Meicun Marketing Development")	2	PRC/ 4 June 2012	RMB1,000,000	100%	Property management
大理五洲國際物業管理有限公司 ("Dali Wuzhou Property Management")	2	PRC/ 19 June 2012	RMB1,000,000	100%	Property management
榮昌縣五洲物業管理有限公司 ("Rongchang Property Wuzhou Management")	2	PRC/ 2 July 2012	RMB1,000,000	100%	Property management
江蘇五洲國際商業發展有限公司 ("Jiangsu Wuzhou")	2	PRC/ 11 July 2012	RMB20,000,000	100%	Property development
黑龍江五洲國際商貿博覽城有限公司 ("Heilongjiang Wuzhou")	2	PRC/ 23 July 2012	RMB100,000,000	100%	Property development
煙台五洲置業有限公司 ("Yantai Wuzhou")	2	PRC/ 24 July 2012	RMB20,000,000	95%	Property development

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held:</b> (continued)					
五洲哥倫布(射陽)置業有限公司 ("Wuzhou Columbia Sheyang")	2	PRC/ 7 August 2012	RMB157,282,500	100%	Property development
吉林市五洲國際商貿城有限公司 ("Jilin Wuzhou")	2	PRC/ 10 August 2012	RMB20,000,000	100%	Property development
襄陽五洲國際商業物業管理有限公司 ("Xiangyang Property Management")	2	PRC/ 27 September 2012	RMB1,000,000	100%	Property management
上海五策房地產諮詢有限公司 ("Shanghai Wuce")	2	PRC/ 26 November 2012	RMB1,000,000	51%	Marketing and planning of property development
煙台五洲國際商業運營有限公司 ("Yantai Business Operation")	2	PRC/ 20 December 2012	RMB1,000,000	100%	Property management
保山五洲國際廣場有限公司 ("Baoshan Wuzhou")	2	PRC/ 9 January 2013	RMB20,000,000	61%	Property development
無錫五洲地產有限公司 ("Wuxi Property")	2	PRC/ 9 January 2013	RMB20,000,000	80%	Property development
南通五洲商業投資有限公司 ("Nantong Commercial Investment")	2	PRC/ 10 January 2013	RMB60,000,000	75%	Property development
龍口市五洲國際物業管理有限公司 ("Longkou Property Management")	2	PRC/ 10 January 2013	RMB1,000,000	100%	Property management
樂陵五洲國際商業物業管理有限公司 ("Leling Commercial Property")	2	PRC/ 22 January 2013	RMB1,000,000	100%	Property management
射陽五洲國際商業廣場管理有限公司 ("Shenyang Commercial Plaza")	2	PRC/ 24 January 2013	RMB1,000,000	100%	Property management
洛陽五洲國際工業博覽城有限公司 ("Luoyang Wuzhou")	2	PRC/ 31 January 2013	RMB60,000,000	51%	Property development

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held:</b> (continued)					
長春五洲商業管理有限公司 ("Changchun Wuzhou")	2	PRC/ 22 February 2013	RMB50,000,000	100%	Property management
江陰市五洲國際商業運營有限公司 ("Jiangyin Wuzhou Management")	2	PRC/ 8 April 2013	RMB1,000,000	100%	Property management
瑞安市五洲國際商貿城有限公司 ("Ruian Wuzhou Development")	2	PRC/ 9 April 2013	RMB50,000,000	100%	Property management
杭州潤都物業管理有限公司 ("Hangzhou Rundu Management")	2	PRC/ 28 April 2013	RMB1,000,000	100%	Property management
吉林市五洲國際房地產開發有限公司 ("Jilin Wuzhou Development")	2	PRC/ 8 May 2013	RMB20,000,000	100%	Property development
無錫龍翔商業管理有限公司 ("Longxiang Management")	2	PRC/ 24 June 2013	RMB1,000,000	100%	Property management
無錫龍廣貿易有限公司 ("Wuxi Longguang Trade")	1	PRC/ 8 July 2013	US\$30,000,000	100%	Trading
菏澤市牡丹區五洲置業有限公司 ("Heze Wuzhou Development")	2	PRC/ 17 July 2013	RMB50,000,000	60%	Property development
牡丹江五洲國際商貿博覽城有限公司 ("Mudanjiang Wuzhou Development")	1	PRC/ 25 July 2013	HK\$195,000,000	100%	Property development
南通五洲物業運營有限公司 ("Nantong Management")	2	PRC/ 13 August 2013	RMB1,000,000	100%	Property management
無錫龍泰商業管理有限公司 ("Longtai Management")	1	PRC/ 15 August 2013	US\$5,000,000	100%	Property management
保山五洲國際商業運營有限公司 ("Baoshan Wuzhou Management")	2	PRC/ 19 August 2013	RMB1,000,000	100%	Property management

## NOTES TO FINANCIAL STATEMENTS

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held:</b> (continued)					
江蘇通潤置業有限公司 ("Jiangsu Tongrun Development")	1	PRC/ 26 August 2013	US\$55,000,000	100%	Property development
長春市中南房地產開發有限公司 ("Changchun Zhongnan Development")	1	PRC/ 29 August 2013	RMB200,000,000	100%	Property development
牡丹江五洲國際商業運營有限公司 ("Mudanjiang Wuzhou Management")	2	PRC/ 1 October 2013	RMB1,000,000	100%	Property management
鄭州五洲國際工業博覽城房地產有限公司 ("Zhengzhou Wuzhou Development")	2	PRC/ 11 October 2013	RMB50,000,000	100%	Property development
瑞安市五洲國際商業管理有限公司 ("Ruian Wuzhou Management")	2	PRC/ 17 October 2013	RMB1,000,000	100%	Property management
宜興五洲立盛商業發展有限公司 ("Yixing Wuzhou Lisheng Development")	1	PRC/ 29 October 2013	US\$30,000,000	51%	Property development
洛陽通潤物業管理有限公司 ("Luoyang Tongrun Management")	2	PRC/ 3 December 2013	RMB1,000,000	100%	Property management
陝西五洲商業投資有限公司 ("Shaanxi Wuzhou Development")	2	PRC/ 6 December 2013	RMB30,000,000	100%	Property development
五洲國際商業發展有限公司 ("Business Development")	2	PRC/ 18 March 2014	RMB100,000,000	100%	Investment holding
無錫五洲北方控股有限公司 ("Northern Holdings")	2	PRC/ 22 May 2014	RMB30,000,000	51%	Investment holding
無錫五洲國際電子商務有限公司 ("Wuzhou E-Commerce")	2	PRC/ 30 May 2014	RMB5,000,000	100%	Trading

## NOTES TO FINANCIAL STATEMENTS

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held:</b> (continued)					
瀋陽五洲潤通國際商業運營有限公司 ("Shenyang Management")	2	PRC/ 14 May 2014	RMB1,000,000	100%	Property management
鄭州五洲國際商業運營有限公司 ("Zhenzhou Management")	2	PRC/ 15 May 2014	RMB1,000,000	100%	Property management
通遼五洲國際商貿城置業有限公司 ("Tongliao Wuzhou International")	2	PRC/ 18 June 2014	RMB50,000,000	100%	Property development
無錫五洲國際廣告傳媒有限公司 ("Wuxi Advertising media")	2	PRC/ 14 July 2014	RMB1,000,000	100%	Advertising
江蘇五洲酒店管理有限公司 ("Jiangsu Hotel Management")	1	PRC/ 2 July 2014	US\$2,000,000	100%	Property management
無錫五洲國際食品交易市場有限公司 ("Wuxi Food Exchange Market")	2	PRC/ 19 August 2014	RMB1,000,000	100%	Property management
宜興六龍城商業管理有限公司 ("Yixing Management")	2	PRC/ 25 July 2014	RMB1,000,000	51%	Property management
徐州五洲公路港物流服務有限公司 ("Xuzhou Wuzhou")		PRC/ 21 November 2014	RMB80,000,000	70%	Property development
通遼五洲國際商業運營有限公司 ("Tongliao Management")	2	PRC/ 4 August 2014	RMB1,000,000	100%	Property management
無錫天澤投資有限公司 ("Wuxi Tianze Investment")	2	PRC/ 12 November 2014	RMB10,000,000	100%	Investment management
泰順泰聯股權投資基金管理有限公司 ("Taishun Thailian")	2	PRC/ 17 December 2014	RMB30,000,000	53%	Investment management

Note 1: Registered as wholly-foreign-owned entities under PRC law.

Note 2: Registered as limited liability companies under PRC law.

## NOTES TO FINANCIAL STATEMENTS

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**21. INVESTMENTS IN SUBSIDIARIES** (continued)

The English name of certain group companies registered in the People's Republic of China ("PRC") represent the best efforts made by management of the Company to translate their Chinese names as they do not have an official English name.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Details of the Group's subsidiaries that have material non-material non-controlling interests are set out below:

	2014	2013
Percentage of equity interests held by non-controlling interests:		
Nantong Wuzhou	<b>49.0%</b>	49.0%
Wuxi Longan	<b>35.7%</b>	35.7%
Wuxi Longxiang*	<b>38.0%</b>	49.0%

\* The Group acquired an 11% equity interest in Wuxi Longxiang from non-controlling shareholders in April 2014.

	2014 RMB'000	2013 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Nantong Wuzhou	<b>67,308</b>	(12,772)
Wuxi Longan	<b>1,131</b>	4,279
Wuxi Longxiang	<b>69,206</b>	(1,595)
Accumulated balances of non-controlling interests at the reporting dates:		
Nantong Wuzhou	<b>86,385</b>	19,077
Wuxi Longan	<b>214,070</b>	212,939
Wuxi Longxiang	<b>91,868</b>	37,186

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**21. INVESTMENTS IN SUBSIDIARIES** (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Nantong Wuzhou RMB'000	Wuxi Longan RMB'000	Wuxi Longxiang RMB'000
<b>2014</b>			
Revenue	985,640	68,499	346,223
Fair value gain	62,603	22,408	118,352
Total expense	(910,879)	(87,738)	(298,707)
Profit and total comprehensive income for the year	137,364	3,169	165,868
Current assets	807,866	181,519	293,555
Non-current assets	647,361	908,676	528,919
Current liabilities	(806,015)	(170,341)	(537,347)
Non-current liabilities	(472,916)	(320,220)	(43,369)
Net cash flows from/(used in) operating activities	(58,526)	575	10,896
Net cash flows used in investing activities	(37,550)	(519)	(52,295)
Net cash flows from financing activities	15,402	49,009	42,578
Net increase/(decrease) in cash and cash equivalents	(80,674)	49,065	1,179
	Nantong Wuzhou RMB'000	Wuxi Longan RMB'000	Wuxi Longxiang RMB'000
<b>2013</b>			
Revenue	–	269,382	85,372
Fair value gain	5,709	28,794	19,300
Total expense	(31,774)	(286,191)	(107,926)
Profit/(loss) and total comprehensive income/(loss) for the year	(26,065)	11,985	(3,254)
Current assets	1,610,583	340,801	660,492
Non-current assets	52,421	838,364	249,077
Current liabilities	(1,401,807)	(228,901)	(819,900)
Non-current liabilities	(222,265)	(353,796)	(13,781)
Net cash flows from/(used in) operating activities	(176,533)	57,289	(52,545)
Net cash flows used in investing activities	(15,401)	(20,389)	(11,169)
Net cash flows from/(used in) financing activities	97,293	(53,870)	52,228
Net decrease in cash and cash equivalents	(94,641)	(16,970)	(11,486)



## NOTES TO FINANCIAL STATEMENTS

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## 22. INVESTMENTS IN ASSOCIATES

	Group	
	2014 RMB'000	2013 RMB'000
Share of net assets	<b>35,938</b>	41,128

## (a) Particulars of the associates

Name of Company	Place and year of incorporation/ establishment	Paid-in capital RMB'000	Percentage of equity interests attributable to the Group	Principal activities
Wuxi Bonan Property Co., Ltd. *	Wuxi, PRC 2009	135,000	20%	Property development
Wuxi Longhe Property Co., Ltd. *	Wuxi, PRC 2009	50,000	25%	Property development
Wuxi Wuzhou Xiangjiang Housing Co., Ltd. *	Wuxi, PRC 2013	10,000	49%	Property management

\* Not audited by Ernst &amp; Young, Hong Kong or another member firm of the Ernst &amp; Young global network.

- (b) The following table illustrates the summarised financial information of the Group's associates shared by the Group:

## Wuxi Bonan Property Co., Ltd.

	2014 RMB'000	2013 RMB'000
Non-current assets	<b>115,900</b>	122,664
Current assets	<b>224,242</b>	220,886
Non-current liabilities	<b>(70,326)</b>	(28,297)
Current liabilities	<b>(135,519)</b>	(169,285)
Equity	<b>134,297</b>	145,968
Proportion of the Group's ownership	<b>20%</b>	20%
Carrying amount of the investment	<b>26,859</b>	29,194
Revenue	<b>381</b>	24,294
Expenses	<b>(15,511)</b>	(30,965)
Tax	<b>3,459</b>	(18)
Loss for the year	<b>(11,671)</b>	(6,689)
Group's share of gain/(loss) for year	<b>(2,335)</b>	(1,338)

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**22. INVESTMENTS IN ASSOCIATES** (continued)

- (b) The following table illustrates the summarised financial information of the Group's associates shared by the Group: (continued)

**Wuxi Longhe Property Co., Ltd.**

	2014 RMB'000	2013 RMB'000
Non-current assets	93	81
Current assets	1,250,902	740,341
Non-current liabilities	(633,000)	(150,000)
Current liabilities	(579,889)	(549,248)
Equity	38,106	41,174
Proportion of the Group's ownership	25%	25%
Carrying amount of the investment	9,527	10,293
Revenue	-	-
Expenses	(3,068)	(3,835)
Tax	-	-
Loss for the year	(3,068)	(3,835)
Group's share of loss for year	(766)	(959)

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**22. INVESTMENTS IN ASSOCIATES** (continued)

- (b) The following table illustrates the summarised financial information of the Group's associates shared by the Group: (continued)

**Wuxi Wuzhou Xiangjiang Housing Co., Ltd.**

	2014 RMB'000	2013 RMB'000
Non-current assets	355	86
Current assets	5,548	3,649
Non-current liabilities	–	–
Current liabilities	(6,817)	(386)
Equity	(914)	3,349
Proportion of the Group's ownership	49%	49%
Carrying amount of the investment	(448)	1,641
Revenue	4,260	–
Expenses	(13,523)	(1,651)
Tax	–	–
Loss for the year	(9,263)	(1,651)
Group's share of loss for year	(4,539)	(809)

**23. AVAILABLE-FOR-SALE INVESTMENTS**

	Group	
	2014 RMB'000	2013 RMB'000
Unlisted equity investments, at cost	–	10,000

The available-for-sale investment as at 31 December 2013 is solely represented by an equity investment in Jiujiang Lushan Meijite Small-credit Co., Ltd. ("Meijite", an unlisted company with registered capital of RMB100,000,000), which was designated as an available-for-sale financial asset. The investment was stated at cost because the investment does not have a quoted market price in an active market and, in the opinion of the directors, the fair value of the investment cannot be measured reliably. The Group disposed the investment on 9 May 2014.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**24. DEFERRED TAX ASSETS AND LIABILITIES**

The movements in deferred tax assets and liabilities of the Group during the year are as follows:

**Deferred tax assets**

	Losses available for offsetting against future taxable profit RMB'000	Unrealised revenue received in advance RMB'000	Payroll and welfare accrual RMB'000	Accrued cost, LAT and expenses RMB'000	Unrealised subsidy income received RMB'000	Allowance for assets impairment RMB'000	Total RMB'000
At 1 January 2013	40,223	47,118	7,515	30,762	161,706	–	287,324
Deferred tax credited/ (charged) to the statement of profit or loss during the year (note 10)	41,368	4,561	1,335	59,782	(24,800)	–	82,246
At 31 December 2013 and 1 January 2014	<b>81,591</b>	<b>51,679</b>	<b>8,850</b>	<b>90,544</b>	<b>136,906</b>	–	<b>369,570</b>
Disposal of a subsidiary (note 38)	<b>(1,009)</b>	–	–	<b>(162)</b>	–	–	<b>(1,171)</b>
Deferred tax credited/ (charged) to the statement of profit or loss during the year (note 10)	<b>27,986</b>	<b>(4,325)</b>	<b>(6,904)</b>	<b>68,155</b>	<b>53,550</b>	<b>2,850</b>	<b>141,312</b>
At 31 December 2014	<b>108,568</b>	<b>47,354</b>	<b>1,946</b>	<b>158,537</b>	<b>190,456</b>	<b>2,850</b>	<b>509,711</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**24. DEFERRED TAX ASSETS AND LIABILITIES** (continued)

The movements in deferred tax assets and liabilities of the Group during the year are as follows: (continued)

**Deferred tax liabilities**

	Fair value adjustment arising from investment properties RMB'000	Fair value adjustment on acquisition date of subsidiaries RMB'000	Gain on business combination RMB'000	Withholding taxes on undistributed profit of the subsidiaries in the PRC RMB'000	Total RMB'000
At 1 January 2013	285,587	37,722	18,760	64,754	406,823
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	222,026	(11,180)	–	(24,117)	186,729
At 31 December 2013 and 1 January 2014	<b>507,613</b>	<b>26,542</b>	<b>18,760</b>	<b>40,637</b>	<b>593,552</b>
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	<b>91,755</b>	<b>(9,779)</b>	–	<b>(2,203)</b>	<b>79,773</b>
At 31 December 2014	<b>599,368</b>	<b>16,763</b>	<b>18,760</b>	<b>38,434</b>	<b>673,325</b>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	<b>322,825</b>	207,737
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>(486,439)</b>	(431,719)
	<b>(163,614)</b>	(223,982)

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**24. DEFERRED TAX ASSETS AND LIABILITIES** (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. According to 錫惠國稅通(2013) No 7 tax circular dated 12 December 2013, the tax authority assessed that Wuxi Wuzhou Ornament City (the "WOFE") qualified the article 10.2 of the arrangement between Mainland China and the Hong Kong special administrative region for the avoidance of double taxation on income ("the Arrangement") and the requirement stipulated in 國稅函 2009 No. 601. Therefore dividends declared to the Hong Kong holding company from its PRC subsidiaries are entitled to a lower withholding tax rate of 5% after the approval.

As at 31 December 2014, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings of RMB1,474,100,000 (2013: RMB1,236,555,000) that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute these earnings in the foreseeable future.

**25. TRADE AND BILLS RECEIVABLES**

	Group	
	2014	2013
	RMB'000	RMB'000
Trade and bills receivables	42,994	40,051
Impairment	-	-
	<b>42,994</b>	40,051

Trade and bills receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade and bills receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables and bills receivable approximate to their fair values.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**25. TRADE AND BILLS RECEIVABLES** (continued)

An aged analysis of the Group's trade and bills receivables as at end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Less than 3 months	<b>36,836</b>	31,210
4 to 6 months	<b>6,158</b>	8,841
	<b>42,994</b>	40,051

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	<b>42,994</b>	40,051

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is 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.

**26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	Group	
	2014 RMB'000	2013 RMB'000
Prepayments for construction cost	<b>41,658</b>	43,030
Prepayments for acquisition of land use rights	<b>72,138</b>	369,998
Tax recoverable	<b>140,886</b>	136,944
Deposits	<b>361,223</b>	352,819
Other receivables	<b>199,125</b>	182,758
	<b>815,030</b>	1,085,549

Prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**27. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS**

	Group	
	2014 RMB'000	2013 RMB'000
Cash and bank balances	<b>1,802,059</b>	1,382,230
Time deposits	–	30,660
	<b>1,802,059</b>	1,412,890
Less: Restricted cash	<b>88,654</b>	179,546
Pledged deposits	<b>534,145</b>	292,090
Cash and cash equivalents	<b>1,179,260</b>	941,254

Pursuant to relevant regulations in PRC, certain property development companies of the Group are required to place certain amounts of cash in the designated bank accounts for specified use. As at 31 December 2014, this restricted cash amounted to RMB88,654,000 (2013: RMB179,546,000).

As at 31 December 2014, bank deposits of RMB534,145,000 (2013: RMB292,090,000) were pledged as security for bank loans, as guarantee deposits in respect of mortgage facilities granted to purchasers of the Group's properties, or as collateral for issuance of bank acceptance notes.

As at 31 December 2014, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.



## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**28. TRADE AND BILLS PAYABLES**

An aged analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Less than 1 year	<b>3,918,198</b>	2,590,035
Over 1 year	<b>187,075</b>	117,905
	<b>4,105,273</b>	2,707,940

The trade and bills payables are unsecured, non-interest-bearing and repayable within the normal operating cycle or on demand.

The fair values of trade and bills payables by the end of the reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

**29. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS**

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Advances from third parties	<b>126,901</b>	75,230	–	–
Advances from non-controlling shareholders of subsidiaries	<b>133,198</b>	152,752	–	–
Deposits related to construction	<b>154,122</b>	149,246	–	–
Rental deposits	<b>94,656</b>	52,090	–	–
Payroll and welfare payable	<b>28,219</b>	49,801	<b>145</b>	52
Rental collection on behalf of third parties	<b>19,064</b>	17,268	–	–
Accruals	<b>40,822</b>	31,837	–	–
Business tax and surcharges	<b>27,531</b>	37,292	–	–
Deposits related to sales of properties	<b>250,962</b>	103,101	–	–
Maintenance fund	<b>59,440</b>	31,010	–	–
Others	<b>12,359</b>	9,810	<b>71</b>	–
	<b>947,274</b>	709,437	<b>216</b>	52

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of the reporting period approximated to their corresponding carrying amounts.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**30. ADVANCES FROM CUSTOMERS**

Advances from customers represented the sales proceeds received from buyers in connection with the Group's pre-sale of properties by the end of the reporting period and the commercial management service fee received from lessees.

**31. DERIVATIVE FINANCIAL INSTRUMENTS**

	2014 RMB'000	2013 RMB'000
Embedded derivatives in convertible notes	84,704	–

The derivative financial liabilities are reported at their fair values.

**32. INTEREST-BEARING BANK AND OTHER BORROWINGS**

Group	2014			2013		
	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000
Current						
Bank loans – secured	6.72 – 7.80	2015	129,000	6.72 – 7.80	2014	50,000
Trust financing – secured	11.90 – 20.00	2015	32,000	13.00	2014	50,000
Current portion of long term bank loans – secured	6.40 – 8.84	2015	651,230	6.55 – 8.52	2014	699,258
Current portion of long term trust financing – secured	10.70 – 14.50	2015	486,930	11.50 – 14.50	2014	282,450
			<b>1,299,160</b>			1,081,708
Non-current						
Bank loans – secured	6.40 – 9.53	2024	1,687,775	6.55 – 9.53	2023	1,776,740
Trust financing – secured	10.50 – 13.86	2017	722,000	14.00 – 14.50	2015	328,930
			<b>2,409,775</b>			2,105,670
			<b>3,708,935</b>			3,187,378

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**32. INTEREST-BEARING BANK AND OTHER BORROWINGS** (continued)

The Group's borrowings are all denominated in RMB.

	Group	
	2014 RMB'000	2013 RMB'000
Analysed into:		
Repayable within one year	<b>1,299,160</b>	1,081,708
Repayable in the second year	<b>1,403,400</b>	1,190,330
Repayable in the third to fifth years	<b>609,775</b>	601,740
Repayable over five years	<b>396,600</b>	313,600
Subtotal	<b>2,409,775</b>	2,105,670
	<b>3,708,935</b>	3,187,378

The Group's bank loans are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Property, plant and equipment (note 14)	<b>122,990</b>	126,056
Investment properties (note 15)	<b>3,417,724</b>	2,074,269
Prepaid land lease payments (note 16)	<b>160,881</b>	470,351
Properties under development (note 17)	<b>1,094,108</b>	2,052,450
Completed properties held for sale (note 18)	<b>1,666,438</b>	275,511
Pledged deposits	<b>1,801</b>	1,801

In addition, the Shu Brothers pledged certain properties for certain of the Group's bank loans up to RMB80,000,000 (2013: Nil) as at the end of the reporting period.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**33. CONVERTIBLE NOTES**

The carrying value of the host debt components of the convertible notes as at the end of the reporting period are as follows:

	2014 RMB'000	2013 RMB'000
Convertible Notes – Tranche 1 (“Tranche1”) – host debt	238,285	–
Convertible Notes – Tranche 2 (“Tranche2”) – host debt	249,489	–
	<b>487,774</b>	–

**Convertible Notes**

On 26 September 2014 and 22 October 2014 (the “Issue Date”), the Company issued respectively two tranches of convertible notes (“Tranche1” and “Tranche2”) maturing on 30 September 2019 (the Maturity Date), in the aggregate principal amount of US\$50 million of each tranche with an initial conversion price of HK\$1.78 per ordinary share of the Company. Pursuant to the indenture, if the accumulated aggregate site area of new industrial logistic projects invested by the Company and certain of its subsidiaries on the day falling 18 months after the first closing date is less than 600 mu, the initial conversion price shall be deemed to be HK\$1.49 subject to adjustment in the manner provided in the indenture.

The coupon interest rate is 7% per annum, payable semi-annually in arrears on 30 March and 30 September in each year. The bondholders have the option to convert the Tranche1 and Tranche2 to ordinary shares of the Company at any time after the Issue Date to its maturity.

The holder of the convertible notes shall have the right to require the Company to redeem all or some only of such holder’s bonds at any time on or after 30 September 2017 at its early redemption amount at such redemption date as specified in the relevant notice of the relevant holder together with interest accrued and unpaid to the redemption date.

Unless previously redeemed, repaid, converted or purchased and cancelled, the Company will redeem the Notes at approximately 137.48% of its principal amount on the Maturity Date.

During the year ended 31 December 2014, no convertible notes were converted into shares of the Company.

Since the conversion options embedded in the Tranche1 and Tranche2 don’t meet the definition of equity instruments of the Company, Tranche1 and Tranche2, in their entirety, are accounted for as financial liabilities and are separated into the host debt component and embedded derivative component. The embedded derivatives are accounted for as financial liabilities at fair value through profit or loss. The host debt component is initially recognised as the excess of proceeds over the amount initially recognised as the derivative component, net of transaction costs allocated to the host debt component, and are subsequently measured at amortised cost.

As at 31 December 2014, the carrying amount of the Tranche1 and Tranche2 was recorded under current liabilities, as the conversion option may be exercised, at the option of the holders, at any time after the Issue Date.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**33. CONVERTIBLE NOTES** (continued)

The various components of the respective convertible notes recognised on initial recognition are as follows:

	Tranche1 RMB'000	Tranche2 RMB'000
Gross proceeds from issuance of convertible notes	307,540	306,765
Transaction costs attributable to the host debt component	(3,522)	(2,496)
Separated embedded derivatives component	(76,569)	(62,969)
Host debt component on initial recognition upon issuance	227,449	241,300

The movements in the host component for the year are as follows:

	Tranche1 RMB'000	2014 Tranche2 RMB'000	Total RMB'000
Newly issued host debts	227,449	241,300	468,749
Interest expense	12,018	8,740	20,758
Exchange realignment	(1,182)	(551)	(1,733)
Host debt component at 31 December 2014	238,285	249,489	487,774
Less: amount classified as current liabilities	238,285	249,489	487,774
Amount classified as non-current liabilities	-	-	-

Interest expenses on the Tranche1 and Tranche2 are calculated using the effective interest method by applying the effective interest rates of 20.19% and 18.93% to the host debt component, respectively.

**Separated embedded derivatives of the convertible notes**

The fair values of the separated embedded derivatives of the convertible notes on initial recognition are as follows:

	Tranche1 RMB'000	Tranche2 RMB'000	Total RMB'000
Initial recognition upon issuance of bonds	76,569	62,969	139,538

## NOTES TO FINANCIAL STATEMENTS

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**33. CONVERTIBLE NOTES** (continued)**Separated embedded derivatives of the convertible notes** (continued)

The fair value movements in the derivative financial liabilities embedded in the Tranche1 and Tranche2 for the years ended 31 December 2014 are as follows:

	Tranche1 RMB'000	Tranche2 RMB'000	Total RMB'000
Newly issued derivative financial liabilities	76,569	62,969	139,538
Transaction costs attributable to the separated embedded derivatives component	(1,168)	(643)	(1,811)
Fair value gain recognised in profit or loss	(33,049)	(19,974)	(53,023)
Embedded derivative component at end of year	42,352	42,352	84,704

Those multiple embedded derivatives (holders' put options, issuer's call options and holders' conversion options etc., that are not independent of each other) in a single instrument that are not closely related to the host contract are treated as a single compound embedded derivative. They are presented as derivative financial liabilities (see note 31).

During the year ended 31 December 2014, the fair value of the derivative financial instruments was determined by DTZ Holdings plc. using generally accepted valuation methodologies, including, but not limited to, a binominal option pricing model.

**34. SHARE CAPITAL****Shares**

	2014 USD'000	2013 USD'000
Authorised: 10,000,000,000 (2013: 10,000,000,000) ordinary shares of USD\$0.01 each	100,000	100,000
Issued and fully paid: 4,658,145,914 (2013: 4,655,977,914) ordinary shares of USD\$0.01 each	293,026	292,893

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2010 with an initial authorised share capital of US\$50,000 divided into 5,000,000 shares of a par value of US\$0.01 each. On the date of incorporation, 1 ordinary share of US\$0.01 was allotted and issued by the Company to Boom Win Holdings Limited. On 13 August 2012, 3,422,161,913 ordinary shares of US\$0.01 each, credited as fully paid, were allotted and issued to Boom Win Holdings Limited.

## NOTES TO FINANCIAL STATEMENTS

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**34. SHARE CAPITAL** (continued)**Shares** (continued)

On 31 May 2013, 1,140,740,000 ordinary shares of USD\$0.01 each were issued under the Global Offering. The proceeds of USD\$11,407,400 (equivalent to RMB70,482,902) representing the par value of the shares issued were credited to the Company's issued capital. The remaining proceeds of HK\$1,303,223,141 (equivalent to RMB1,038,147,548), before share issue expenses, were credited to the Company's share premium account. The shares of the Company were listed on the Stock Exchange on the same date.

On 5 July 2013, 93,076,000 ordinary shares of USD\$0.01 each were issued by partial execution of over-allotment option. The proceeds of USD\$930,760 (equivalent to RMB5,750,887) representing the par value of the shares issued were credited to the Company's issued capital. The remaining proceeds of HK\$106,333,430 (equivalent to RMB 84,705,210), before share issue expenses, were credited to the Company's share premium account.

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2013	3,422,161,914	216,659	–	216,659
Share issue	1,233,816,000	76,234	1,122,853	1,199,087
	4,655,977,914	292,893	1,122,853	1,415,746
Share issue expenses	–	–	(46,692)	(46,692)
Proposed final dividend	–	–	(128,119)	(128,119)
At 31 December 2013 and 1 January 2014	<b>4,655,977,914</b>	<b>292,893</b>	<b>948,042</b>	<b>1,240,935</b>
Exercise of share options	<b>2,168,000</b>	<b>133</b>	<b>2,043</b>	<b>2,176</b>
At 31 December 2014	<b>4,658,145,914</b>	<b>293,026</b>	<b>950,085</b>	<b>1,243,111</b>

**Share options**

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

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**35. SENIOR NOTES**

On 26 September 2013, the Company issued senior notes in an aggregate principal amount of USD100,000,000 (the "2013 Notes"). The 2013 Notes are listed on the Stock Exchange of Hong Kong Limited. The 2013 Notes carry interest at the rate of 13.75% per annum, payable semi-annually on 26 March and 26 September in arrears, and will mature on 26 September 2018, unless redeemed earlier.

Period	Redemption price
2016	106.8750%
2017	103.4375%

At any time and from time to time prior to 26 September 2016, the Company may redeem up to 35% of the aggregate principal amount of the Notes with proceeds from one or more sales of certain kinds of its capital stock at a redemption price of 113.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

On 16 January 2014, the Company issued additional senior notes in an aggregate principal amount of US\$100,000,000 (the "2014 Notes"). The additional senior notes are listed on the Stock Exchange of Hong Kong Limited and the Singapore Exchange Securities Trading Limited. The additional senior notes carry interest at the rate of 13.75% per annum, payable semi-annually on 26 March and 26 September in arrears, and will mature on 26 September 2018, unless redeemed earlier. The above two senior notes form one single transaction.

The 2013 Notes and 2014 Notes recognised in the statement of financial position were calculated as follows:

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	<b>606,050</b>	–
Additions	<b>613,214</b>	586,690
Exchange realignment	<b>13,128</b>	(3,184)
Interest expenses (note 7)	<b>170,977</b>	22,544
Coupon paid	<b>(169,067)</b>	–
Carrying amount at 31 December	<b>1,234,302</b>	606,050

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption option is insignificant on initial recognition and as at 31 December 2014.



**NOTES TO FINANCIAL STATEMENTS**

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**36. SHARE-BASED PAYMENT TRANSACTION****(a) Pre-IPO share award scheme**

Pursuant to the board resolution dated 30 September 2012, the Group established a pre-IPO share award scheme (the "Share Award Scheme"). Under the Share Award Scheme, the Shu Brothers, the Controlling Shareholders and directors of the Group, transferred 1% of the Company's shares (representing 34,221,619 shares, the "Awarded Shares") held by them through Boom Win to seven employees of the Group. The share transfer was completed on 12 October 2012. The objective of the Share Award Scheme is to recognise the contributions of certain employees of the Group and providing incentives.

The Awarded Shares, subject to a vesting period, are being held by the trust on behalf of the grantees. The vesting period is five years, from the beginning of each instalment, during which 24%, 24%, 24%, 14% and 14% of the Award Shares granted to employee will vest on each of the five anniversaries of the first vesting date. The first vesting date is 1 January of the year following the successful listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

The fair value of the Awarded Shares granted under the Share Award Scheme on 30 September 2012 was RMB14,246,971, which was determined by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, using the income approach. The significant input into the approach was estimated fair value of shares at the grant date. The consideration of the above 1% equity interest of the Company is RMB8,411,805.

The Awarded Shares are contingent at grant date and are subject to the cancellation in the event of resignation of the grantee; and the vesting conditions of the shares successfully listed on The Stock Exchange of Hong Kong Limited and satisfactory performance of such employee based on his or her annual performance appraisal. During the year ended 31 December 2014, the Group recognised an expense in relation to the Awarded Shares granted to certain employees of the Group amounting to RMB1,668,000 (2013: RMB2,088,000).

**(b) Share option scheme**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

**NOTES TO FINANCIAL STATEMENTS**

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**36. SHARE-BASED PAYMENT TRANSACTION** (continued)**(b) Share option scheme** (continued)

Pursuant to the board resolution dated 24 September 2013, the Company has granted share options under the Scheme adopted on 27 May 2013 to certain directors (including independent non-executive directors) and the employees of the Company and its subsidiaries (the "Grantees") which, subject to the acceptance of the share Option by the Grantees, will enable the Grantees to subscribe for an aggregate of 93,119,611 new shares of US\$0.01 each (the "Shares") in the share capital of the Company, representing approximately 2% of the issued share capital of the Company.

The grant of Share Options to each of the above directors and/or substantial shareholder and chief financial officer of the Company has been approved by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company are subject to shareholders' approval in advance in a general meeting.

The Share Options are exercisable during the following periods:

- (i) up to 30% of the Share Options granted to each Grantee at any time after the expiration of 12 months from the Date of Grant and ending on the expiry date of the Option Period and after the Grantee has satisfied the vesting conditions specified by the Board;
- (ii) up to 30% of the Share Options granted to each Grantee at any time after the expiration of 24 months from the Date of Grant and ending on the expiry date of the Option Period and after the Grantee has satisfied the vesting conditions specified by the Board; and
- (iii) up to 40% of the Share Options granted to each Grantee at any time after the expiration of 36 months from the Date of Grant and ending on the expiry date of the Option Period and after the Grantee has satisfied the vesting conditions specified by the Board.

The exercise price of share options is HK\$1.27 per share, representing the highest of

- (i) the closing price of HK\$1.270 per Share as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Date of Grant;
- (ii) the average closing price of HK\$1.256 per Share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and
- (iii) the nominal value of a Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**36. SHARE-BASED PAYMENT TRANSACTION** (continued)**(b) Share option scheme** (continued)

The following share options were outstanding under the Share Option Scheme during the year:

	2014		2013	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	1.27	86,619	–	–
Granted during the year	1.27	–	1.27	93,119
Exercised during the year	1.27	(2,168)	–	–
Forfeited during the year	1.27	(15,591)	1.27	(6,500)
At 31 December	1.27	68,860	1.27	86,619

The weighted average share price at the date of exercise for share options exercised during the year was HK\$1.27 per share (2013: No share options were exercised).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

**2014**

Number of options '000	Exercise price HK\$ per share	Exercise period
19,141	1.27	14-9-24 to 17-9-23
21,308	1.27	15-9-24 to 17-9-23
28,411	1.27	16-9-24 to 17-9-23
<b>68,860</b>		

## NOTES TO FINANCIAL STATEMENTS

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**36. SHARE-BASED PAYMENT TRANSACTION** (continued)**(b) Share option scheme** (continued)

2013

Number of options '000	Exercise price HK\$ per share	Exercise period
25,986	1.27	14-9-24 to 17-9-23
25,986	1.27	15-9-24 to 17-9-23
34,647	1.27	16-9-24 to 17-9-23
86,619		

No shares were granted during 2014. The fair value of the share options granted during 2013 was HK\$33,084,001 (HK\$0.355 each), of which the Group recognised a share option expense of RMB9,143,341 during the year ended 31 December 2014 (2013: RMB3,036,442).

The fair value of equity-settled share options granted during 2013 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	–
Expected volatility (%)	35.24
Risk-free interest rate (%)	0.9
Expected life of options (year)	4
Weighted average share price (HK\$ per share)	1.27

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 2,168,000 share options exercised during the year resulted in the issue of 2,168,000 ordinary shares of the Company and new share capital of RMB133,000 (before issue expenses), as further detailed in note 34 to the financial statements.

At the end of the reporting period, the Company had 68,859,712 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 68,859,712 additional ordinary shares of USD0.01 of the Company and additional share capital of RMB4,213,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 68,859,712 share options outstanding under the Scheme, which represented approximately 1.48% of the Company's shares in issue as at that date.

## NOTES TO FINANCIAL STATEMENTS

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**37. RESERVES****(a) Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

**Reserve fund**

PRC laws and regulations require wholly-owned foreign enterprises ("WFOE") to provide for the reserve fund by appropriating a part of the net profit, as determined under the PRC accounting rules and regulations, before dividend distribution. Each subsidiary which is a WFOE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of this fund has reached 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

**Statutory surplus reserve**

Each of the non-foreign invested subsidiaries in Mainland China is required to transfer 10% of its profit after taxation, as determined under the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The statutory surplus reserve can be used to offset accumulated losses or convert into share capital by the issue of new shares to shareholders in proportion to their existing equity holdings.

**(b) Company**

	Share premium account RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 31 December 2012	–	–	–	–
Total comprehensive loss for the year	–	–	(58,281)	(58,281)
Issuance of new shares	1,122,853	–	–	1,122,853
Share issue expenses	(46,692)	–	–	(46,692)
Equity-settled share-based payment arrangements	–	5,124	–	5,124
Proposed final 2013 dividend	(128,119)	–	–	(128,119)
Balance at 31 December 2013 and 1 January 2014	<b>948,042</b>	<b>5,124</b>	<b>(58,281)</b>	<b>894,885</b>
Total comprehensive loss for the year	–	–	(151,637)	(151,637)
Exercise of share options	<b>2,043</b>	–	–	<b>2,043</b>
Equity-settled share-based payment arrangements	–	<b>10,811</b>	–	<b>10,811</b>
Balance at 31 December 2014	<b>950,085</b>	<b>15,935</b>	<b>(209,918)</b>	<b>756,102</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**37. RESERVES** (continued)**(b) Company** (continued)

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

**38. DISPOSAL OF A SUBSIDIARY**

	2014 RMB'000	2013 RMB'000
Net assets disposed of:		
Cash and bank balances	134	1,325
Prepayments, deposits and other receivables	246,771	3,120
Property, plant and equipment	109	367
Intangible assets	15	–
Deferred tax assets	1,171	–
Properties under development	9,292	–
Other payables, deposits received and accruals	(249,226)	(2,154)
Advances from customers	–	(784)
	<b>8,266</b>	1,874
Non-controlling interests	–	–
Gain on disposal of a subsidiary	<b>11,734</b>	1,226
Satisfied by cash	<b>20,000</b>	3,100

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2014 RMB'000	2013 RMB'000
Cash consideration	20,000	3,100
Cash and bank balances disposed of	(134)	(1,325)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<b>19,866</b>	1,775

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**39. CONTINGENT LIABILITIES**

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Guarantees given to banks in facilities granted to purchasers of the Group's properties	<b>1,082,565</b>	1,002,899

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchaser's collateral agreement.

The Group did not incur any material losses during the year 2014 in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

**40. OPERATING LEASE ARRANGEMENTS****As lessor**

The Group leases out its investment properties (note 15) under operating lease arrangements with leases negotiated from terms ranging from 1 to 20 years. The terms of leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Within one year	<b>102,612</b>	80,763
In the second to fifth years, inclusive	<b>404,647</b>	300,705
After five years	<b>912,274</b>	888,673
	<b>1,419,533</b>	1,270,141

## NOTES TO FINANCIAL STATEMENTS

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**40. OPERATING LEASE ARRANGEMENTS** (continued)**As lessee**

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of one to three years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Within one year	8,815	5,755
In the second to fifth years, inclusive	6,700	2,800
	<b>15,515</b>	8,555

**41. COMMITMENTS**

In addition to the operating lease commitments detailed in note 40 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014 RMB'000	2013 RMB'000
Contracted, but not provided for:		
– Acquisition of land use rights	–	182,858
– Properties under development	2,950,202	1,884,974

**42. RELATED PARTY TRANSACTIONS****(1) Name and relationship**

Name of related party	Relationship with the Group
The Shu Brothers	Ultimate controlling shareholders
Boom Win Holding Limited ("Boom Win")	Ultimate holding company
Wuxi Longhe Property Co., Ltd. ("Wuxi Longhe")	Associated company
Wuxi Bonan Property Co., Ltd. ("Wuxi Bonan")	Associated company
Wuxi Wuzhou Xiangjiang housing Co., Ltd. ("Wuxi Xiangjiang")	Associated company
Wuxi Wuzhou Investment Co., Ltd. ("Wuzhou Investment")	Company controlled by the Shu Brothers
Hong Kong Wuzhou International Group Investment Limited ("Wuzhou Int'l Group Investment")	Company controlled by the Shu Brothers
Shenzhen Continent Investment Development Co., Ltd. ("Shenzhen Continent")	Company under significant influence by the Shu Brothers
Ms. Zhu Lijuan	Mr. Shu Cecheng's wife
Ms. Qi Xueqing	Mr. Shu Cewan's wife



## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**42. RELATED PARTY TRANSACTIONS** (continued)**(2) Related party transactions**

The following transactions were carried out with related parties during the year:

		Group	
		2014	2013
		RMB'000	RMB'000
(i)	Advances to shareholders:		
	– The Shu Brothers	–	12,269
	Recovery of advances to shareholders:		
	– The Shu Brothers	–	12,269
	Advances from shareholders:		
	– The Shu Brothers	–	17,731
	Repayment of advances from shareholders:		
	– The Shu Brothers	–	35,867
(ii)	Recovery of advances to a related party:		
	– Ms. Qi Xueqing	–	–
	Repayment of advances from a related party:		
	– Ms. Zhu Lijuan	–	–
(iii)	Advances to related companies:		
	– Wuxi Xiangjiang	2,652	–
	– Wuxi Longhe	229	–
	– Wuzhou Investment	–	75,698
	– Shenzhen Continent	–	64,242
	Recovery of advances to related companies:		
	– Wuzhou Investment	–	287,885
	– Wuxi Longhe	–	94,622
	– Shenzhen Continent	–	102,694
	– Wuzhou Int'l Group Investment	–	88
	Advances from related companies:		
	– Wuzhou Investment	280,000	805,997
	– Shenzhen Continent	–	15,000
	Repayment of advances from related companies:		
	– Wuzhou Investment	280,000	1,231,864
	– Shenzhen Continent	–	53,752

In addition, the Shu Brothers pledged certain property for certain of the Group's bank loans up to RMB80,000,000 (2013: Nil) as at the end of the reporting period.

## NOTES TO FINANCIAL STATEMENTS

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**4.2. RELATED PARTY TRANSACTIONS** (continued)**(3) Outstanding balances with related parties**  
**The Group**

	<b>31 December 2014 RMB'000</b>	31 December 2013 RMB'000
Due from related companies:		
– Wuxi Xiangjiang	2,652	–
– Wuxi Longhe	229	–
	<b>2,881</b>	–

Balances with the related party were unsecured and non-interest-bearing and had no repayment terms.

**(4) Compensation of key management personnel of the Group**

	<b>2014 RMB'000</b>	2013 RMB'000
Short term employee benefits	12,131	10,947
Equity-settled share-based payment expenses	1,500	1,024
Pension scheme contributions and social welfare	403	352
Total compensation paid to key management personnel	<b>14,034</b>	12,323

Further details of directors' emoluments are included in note 8 to the Financial Information.

**(5) Outstanding balances with related parties of the Company**

As at 31 December 2014, the amounts due from subsidiaries and due to subsidiaries as included in the Company's current assets and current liabilities of RMB2,862,628,000 (2013: RMB1,928,583,000) and RMB6,584,000 (2013: RMB6,584,000), respectively. They are unsecured, interest-free and are repayable on demand or within one year.

## NOTES TO FINANCIAL STATEMENTS

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## 43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

## 31 December 2014

Financial assets	Group Equity investments and loans and receivables at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables (note 26)	199,125	199,125
Trade and bills receivables (note 25)	42,994	42,994
Due from related companies	2,881	2,881
Restricted cash (note 27)	88,654	88,654
Pledged deposits (note 27)	534,145	534,145
Cash and cash equivalents (note 27)	1,179,260	1,179,260
	<b>2,047,059</b>	<b>2,047,059</b>

Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables (note 28)	4,105,273	4,105,273
Financial liabilities included in other payables, deposits received and accruals (note 29)	378,492	378,492
Derivative financial instruments (note 31)	84,704	84,704
Convertible notes (note 33)	487,774	487,774
Interest-bearing bank loans and other borrowings (note 32)	3,708,935	3,708,935
Senior notes (note 35)	1,234,302	1,234,302
	<b>9,999,480</b>	<b>9,999,480</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**43. FINANCIAL INSTRUMENTS BY CATEGORY** (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows (continued):

31 December 2013

Financial assets	Group Equity investments and loans and receivables at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables (note 26)	182,758	182,758
Trade and bills receivables (note 25)	40,051	40,051
Restricted cash (note 27)	179,546	179,546
Pledged deposits (note 27)	292,090	292,090
Cash and cash equivalents (note 27)	941,254	941,254
	1,635,699	1,635,699
Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables (note 28)	2,707,940	2,707,940
Financial liabilities included in other payables, deposits received and accruals (note 29)	323,362	323,362
Interest-bearing bank loans and other borrowings (note 32)	3,187,378	3,187,378
Senior notes (note 35)	606,050	606,050
	6,824,730	6,824,730

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**43. FINANCIAL INSTRUMENTS BY CATEGORY** (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows (continued):

**31 December 2014**

Financial assets	Company Equity investments and loans and receivables at amortised cost RMB'000	Total RMB'000
Cash and cash equivalents	80	80
Due from subsidiaries	2,862,628	2,862,628
	<b>2,862,708</b>	<b>2,862,708</b>

Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables, deposits received and accruals (note 29)	216	216
Due to subsidiaries	6,584	6,584
Derivative financial instruments	84,704	84,704
Convertible notes	487,774	487,774
Senior notes (note 35)	1,234,302	1,234,302
	<b>1,813,580</b>	<b>1,813,580</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**43. FINANCIAL INSTRUMENTS BY CATEGORY** (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows (continued):

31 December 2013

Financial assets	Company Equity investments and loans and receivables at amortised cost RMB'000	Total RMB'000
Due from subsidiaries	1,928,583	1,928,583
	1,928,583	1,928,583
Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables, deposits received and accruals (note 29)	52	52
Due to subsidiaries	6,584	6,584
Senior notes (note 35)	606,050	606,050
	612,686	612,686

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

**Group**

	Carrying amounts		Fair values	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial liabilities</b>				
Derivative financial instruments	84,704	–	84,704	–
Interest-bearing bank borrowings	3,708,935	3,187,378	3,728,201	3,201,154
Senior notes	1,234,302	606,050	1,298,048	619,091
Convertible notes	487,774	–	492,168	–
	<b>5,515,715</b>	<b>3,793,428</b>	<b>5,603,121</b>	<b>3,820,245</b>

**Company**

	Carrying amounts		Fair values	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial liabilities</b>				
Derivative financial instruments	84,704	–	84,704	–
Senior notes	1,234,302	606,050	1,298,048	619,091
Convertible notes	487,774	–	492,168	–
	<b>1,806,780</b>	<b>606,050</b>	<b>1,874,920</b>	<b>619,091</b>

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, an amount due to the ultimate holding company and loans from associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**4.4. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** (continued)**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

**Liabilities measured at fair value:****Group**

As at 31 December 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	–	84,704	–	84,704
	–	84,704	–	84,704

The Group did not have any financial liabilities measured at fair value as 31 December 2013.

**Company**

As at 31 December 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	–	84,704	–	84,704
	–	84,704	–	84,704

The Company did not have any financial liabilities measured at fair value as 31 December 2013.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).



## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** (continued)**Fair value hierarchy** (continued)**Liabilities for which fair values are disclosed:****Group**

As at 31 December 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings	–	3,728,201	–	3,728,201
Senior notes	1,298,048	–	–	1,298,048
Convertible notes-host contract	–	–	492,168	492,168
	<b>1,298,048</b>	<b>3,728,201</b>	<b>492,168</b>	<b>5,518,417</b>

As at 31 December 2013

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings	–	3,201,154	–	3,201,154
Senior notes	619,091	–	–	619,091
	619,091	3,201,154	–	3,820,245

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**4.4. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** (continued)**Fair value hierarchy** (continued)**Liabilities for which fair values are disclosed:** (continued)**Company**

As at 31 December 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Senior notes	1,298,048	–	–	1,298,048
Convertible notes-host contract	–	–	492,168	492,168
	<b>1,298,048</b>	<b>–</b>	<b>492,168</b>	<b>1,790,216</b>

As at 31 December 2013

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Senior notes	619,091	–	–	619,091
	619,091	–	–	619,091

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments mainly include cash and bank balances, restricted cash, financial instruments at fair value through profit or loss, trade and bills receivables, and trade and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, senior notes, convertible notes, amounts with directors, amounts with related companies, amounts due to a related party, and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

**(a) Interest rate risk**

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings set out in note 32 and senior notes set out in note 35. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings.

On 31 December 2014, if the interest rate of bank borrowings had increased/decreased by 0.5% and all other variables held constant, the profit before tax for the year of the Group would have decreased/increased by approximately RMB2,665,000 (2013: RMB2,631,000).

**(b) Foreign currency risk**

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the reporting periods to a reasonably possible change in the Hong Kong dollar ("HK\$") and the US dollar ("US\$") exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Rate %	Increase/ (decrease) in profit before tax RMB'000
<b>Year ended 31 December 2014</b>		
If HK\$ weakens against RMB	-5%	(66)
If HK\$ strengthens against RMB	+5%	66
If US\$ weakens against RMB	-5%	85,078
If US\$ strengthens against RMB	+5%	(85,078)

## NOTES TO FINANCIAL STATEMENTS

31 December 2014

**45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)**(c) Credit risk**

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Exposure to credit risk arises primarily from its financing activities to customers.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record any significant bad debts losses during the year 2014.

The credit risk of the Group's other financial assets, which mainly comprise cash and pledged deposits, other receivables, amounts due from directors, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

**(d) Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and other borrowings and senior notes. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
<b>31 December 2014</b>					
Interest-bearing bank loans and other borrowings	–	182,312	1,314,424	2,591,855	4,088,591
Senior notes	–	84,136	84,136	1,728,618	1,896,890
Convertible notes	–	21,417	21,417	1,012,572	1,055,406
Trade and bills payables	3,571,398	213,405	320,470	–	4,105,273
Other payables	378,492	–	–	–	378,492
	<b>3,949,890</b>	<b>501,270</b>	<b>1,740,447</b>	<b>5,333,045</b>	<b>11,524,652</b>
<b>31 December 2013</b>					
Interest-bearing bank loans and other borrowings	–	180,561	1,149,345	2,384,492	3,714,398
Senior notes	–	41,916	41,916	945,020	1,028,852
Trade and bills payables	2,453,555	92,148	162,237	–	2,707,940
Other payables	323,362	–	–	–	323,362
	<b>2,776,917</b>	<b>314,625</b>	<b>1,353,498</b>	<b>3,329,512</b>	<b>7,774,552</b>

**NOTES TO FINANCIAL STATEMENTS**

31 December 2014

**45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)**(e) Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing loans and borrowings, senior notes, convertible notes, trade and other payables, advances from customers, an amount due to shareholders and amounts due to related parties less cash and cash equivalents. Capital includes equity attributable to the owners of the parent. The gearing ratios as at the end of reporting periods were as follows:

	<b>31 December 2014 RMB'000</b>	31 December 2013 RMB'000
Trade and bills payables	<b>4,105,273</b>	2,707,940
Other payables, deposits received and accruals	<b>947,274</b>	709,437
Advances from customers	<b>3,208,366</b>	3,071,363
Interest-bearing bank and other borrowings	<b>3,708,935</b>	3,187,378
Convertible notes	<b>487,774</b>	–
Senior notes	<b>1,234,302</b>	606,050
Less: Cash and cash equivalents	<b>(1,179,260)</b>	(941,254)
<b>Net debt</b>	<b>12,512,664</b>	9,340,914
<b>Equity attributable to owners of the parent</b>	<b>3,667,432</b>	3,497,744
<b>Total capital and net debt</b>	<b>16,180,096</b>	12,838,658
<b>Gearing ratio</b>	<b>77%</b>	73%

**46. EVENTS AFTER THE REPORTING PERIOD**

The Company entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") with Qingdao Haier Industrial Development Co., Ltd on 27 January 2015. Pursuant to the Strategic Cooperation Agreement, both parties have agreed to a wide-ranging scope of cooperation including resources optimisation and the development of a national network of logistics facilities and multi-functional commercial complexes.

**47. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 30 March 2015.

# FINANCIAL SUMMARY

Year ended 31 December 2014

## RESULTS

	For the year ended 31 December				
	2010 RMB'000 (Note 1)	2011 RMB'000 (Note 1)	2012 RMB'000 (Note 1)	2013 RMB'000	2014 RMB'000
Revenue	875,794	1,515,769	2,253,240	4,049,567	<b>4,308,085</b>
Profit before taxation	414,633	647,376	1,262,504	1,789,185	<b>842,969</b>
Income tax expense	(124,908)	(274,108)	(508,620)	(668,944)	<b>(449,254)</b>
Profit for the year	289,725	373,268	753,884	1,120,241	<b>393,715</b>
Attributable to					
Owners of the Company	284,837	313,412	699,711	1,020,036	<b>252,863</b>
Non-controlling interests	4,888	59,856	54,173	100,205	<b>140,852</b>
	289,725	373,268	753,884	1,120,241	<b>393,715</b>

## ASSETS AND LIABILITIES

	At 31 December				
	2010 RMB'000 (Note 1)	2011 RMB'000 (Note 1)	2012 RMB'000 (Note 1)	2013 RMB'000	2014 RMB'000
Total assets	4,247,286	7,330,516	10,433,785	15,421,132	<b>19,372,257</b>
Total liabilities	(3,376,173)	(6,078,594)	(8,788,670)	(11,437,057)	<b>(15,160,974)</b>
	871,113	1,251,922	1,645,115	3,984,075	<b>4,211,283</b>
Equity attributable to owners of the Company	591,672	822,588	1,319,693	3,497,744	<b>3,667,432</b>
Non-controlling interests	279,441	429,334	325,422	486,331	<b>543,851</b>
	871,113	1,251,922	1,645,115	3,984,075	<b>4,211,283</b>

Note:

- The figures for the years ended 31 December 2010, 2011 and 2012 have been extracted from the prospectus of the Company dated 31 May 2014.

# MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP

## 1. COMPLETED INVESTMENT PROPERTIES

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
1	Portion of Phase I to Phase IV, Wuxi Wuzhou International Ornament City, No. 668 Shengan West Road, Huishan District, Wuxi, Jiangsu Province	Commercial Apartment	Medium	87,083.67 192.63	100.00%
2	Hall A and Hall C, Wuxi Wuzhou International Industrial Exhibition City, No. 299 Jincheng East Road, New District, Wuxi, Jiangsu Province	Exhibition hall Commercial	Medium	66,402.29 4,027.54	100.00%
3	Portion of Phase I to Phase II, Wuxi Wuzhou International Columbus City, No. 289 Guangyi Road, Chongan District, Wuxi, Jiangsu Province	Commercial Office Underground commercial	Medium	27,358.67 1,071.16 15,352.00	64.30%
4	Portions of Phase I to Phase III, Wuxi Wuzhou International Chinese Food Culture Exposition City, East of the junction of Jianghai Road and Guangyi Road, Chongan District, Wuxi, Jiangsu Province	Commercial Apartment Office Underground commercial	Medium	33,538.77 886.37 7,169.44 3,921.99	62.00%
5	Portion of Meicun Wuzhou International Plaza, No. 8 Xinyou North Road, Wuxi, Jiangsu Province	Commercial Underground commercial	Medium	9,873.91 12,984.00	90.00%
6	Portion of Zone A and Zone B2, Wuxi Wuzhou Commercial Investment Limited, Yangjian Town, Wuxi, Jiangsu Province	Commercial Residential	Medium Long	12,464.47 5,040.41	100.00%

## MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
7	Wuxi New District Columbus Plaza, No. 1 Sujiang Road, New District, Wuxi, Jiangsu Province	Commercial Underground commercial Apartment	Medium	11,545.12 3,060.08 7,794.24	100.00%
8	Yancheng Wuzhou Plaza, No. 28 Yingbin South Road, Tinghu District, Yancheng, Jiangsu Province	Commercial Underground commercial	Medium	14,843.09 9,661.00	100.00%
9	Xuyi Wuzhou International Plaza, No. 2 Dongyang Road, Xuyi County Xucheng Town, Huai'an, Jiangsu Province	Commercial Underground commercial	Medium	51,813.66 2,100.00	100.00%
10	Wuxi Luoshe Columbus Plaza, LuoZhong Road, Huishan District, Wuxi, Jiangsu Province	Commercial Underground commercial	Medium	3,106.54 11,665.13	100.00%
11	Portion of Phase I Lot I, Rongchang Wuzhou Hardware Ornamental City, No. 3 Yingbin Avenue South, Rongchang County, Chongqing	Exhibition hall Exhibition hall underground	Medium	67,297.80 17,616.42	94.00%
12	South Parcel of Land, Nantong Wuzhou International Commercial Trade City, No. 98 Zhongxiu Central Road, Chongchuan District, Nantong, Jiangsu Province	Commercial Underground commercial	Medium	43,043.80 19,635.49	51.00%



**MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP**

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
13	Hangzhou Wuzhou International Plaza, No. 279 Yuhangtang Road, Xihu District, Hangzhou, Zhejiang Province	Commercial Underground commercial	Medium	9,372.57 13,116.00	100.00%
14	Jiangyin Wuzhou International Plaza, No. 3896 Huangtu Town Cheng Road, Jiangyin, Wuxi, Jiangsu Province	Commercial	Medium	33,855.93	90.00%

**2. INVESTMENT PROPERTIES UNDER CONSTRUCTION**

No.	Property	Type	Term of land	Status	Percentage of interest of the Company	Expected completion time
1	Portion of Phase II Hall D, Wuxi Wuzhou International Industrial Exhibition City, No. 299 Jinchengdong Road, New District, Wuxi, Jiangsu Province	Exhibition hall	Medium	Under construction	100.00%	September 2015
2	Phase I Exhibition Hall, Dali Wuzhou International Commercial Trade City, Xiaguan Manjiang Area, Dali, Yunnan Province	Exhibition hall	Medium	Under construction	100.00%	June 2015
3	Portion of Phase I Lot II, Baoshan Wuzhou International Plaza, Longyang District, Baoshan, Yunnan Province	Commercial	Medium	Under construction	61.00%	June 2015
4	Portion of Phase I, Qianzhou Wuzhou International Plaza, No. 777 Huizhou Avenue, Huishan District, Qianzhou Street, Wuxi, Jiangsu Province	Commercial	Medium	Under construction	80.00%	May 2015

**MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP**

No.	Property	Type	Term of land	Status	Percentage of interest of the Company	Expected completion time
5	Portion of Phase II, Longkou Wuzhou International, Junction of Nanshan Road and Longquan Road (Muhuang Road), Longkou City, Shandong Province	Commercial	Medium	Under construction	95.00%	July 2015
6	Portion of Phase I and II, Junction of Shengtai Avenue and Tianhe Road, Jingyue Development District, Changchun City, Jilin Province	Commercial	Medium	Under construction	100.00%	June 2016



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